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VICTORIA, BRITISH COLUMBIA, MARCH 18, 1938

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BRITISH COLUMBIA

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

VICTORIA, BRITISH COLUMBIA, MARCH 18, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Parliament Buildings, Victoria, British Columbia, on Friday, March 18, 1938, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS)	
JOHN W. DAFOE, Esq.)	
DR. ROBERT ALEXANDER MacKAY)	
PROFESSOR HENRY FORBES ANGUS)	
)	Commissioners

Commission Counsel:

James McGregor Stewart, Esq., K.C.

Secretariat:

Adjutor Savard, Esq.	Acting Secretary
R.M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the Secretary

FOR THE GOVERNMENT OF BRITISH COLUMBIA:

Hon. Thomas Dufferin Pattullo, K.C., LL.D.,	Premier,
	President of the Executive Council
Hon. G.M. Weir, B.A., M.A., D.Paed.,	Minister of Education
	Provincial Secretary
Hon. G.S. Wismer, K.C.,	Attorney-General
Hon. A.W. Gray,	Minister of Lands,
	Minister of Municipal Affairs
Hon. John Hart	Minister of Finance
Hon. K.C. MacDonald	Minister, Agriculture
Hon. F.M. MacPherson,	Minister of Public Works
Hon. G.S. Pearson	Minister of Labour
	Minister of Mines
	Commissioner, Fisheries
Hon. J.W. deB. Farris, K.C.	Counsel
Dr. W.A. Carrothers,	Chairman of the Economic Council.

Parliament Buildings,
Victoria, B.C.,
March 18, 1938.

MORNING SESSION.

The Commission resumed at 10.30 A.M.

HON. MR. FARRIS: Mr. Chairman, before I leave the question we were discussing, I might make a brief reference to the question that Dr. MacKay mentioned to me yesterday about the \$100,000 a year allowed British Columbia in addition to the debt allowance and its implications particularly in relation to the reason two that I submitted as to the amount that British Columbia is claiming in rather itemized amounts in that connection. There are two observations I want to make. First, Mr. Chairman, that I think those figures show, perhaps, the fallacy sometimes of attempting to put figures in a definite amount, because it gives the impression of tying to those figures. They are really illustrative of the general principle we are taking of the wide difference between the contributions to this province and the needs, and the contributions to the other provinces. But, particularly in regard to that \$100,000 I wanted to make this observation. It is stated in our brief, and that is taken from Maxwell's book, that Sir George Cartier at the time hit on the ingenious device of giving British Columbia the \$100,000 a year by tying it to the lands which were being granted and as remuneration for that. The only reason that would be considered a device was the fact that at that time it was considered that British Columbia was really under an obligation to give these lands. Subsequently the Martin Commission was appointed to investigate and report on that situation and that is set out in part in the brief of 1935 which I filed as an Exhibit, and I refer to pages 13 and 14, in which Mr. Justice Martin's report is quoted in part. And I turn to page 14 at the top of the page in which Mr. Justice

Martin says this:

" When viewed in the light of subsequent events, the many predictions for the failure of the enterprise (that is the Canadian Pacific Railway) and the fears of financial disaster, were entirely unwarranted."

He already having intimated that that was the basis of why we were required to give these lands.

"The success of the Canadian Pacific Railway, almost from the beginning, has been phenomenal, and its influence upon the development of the whole country has surpassed even the most sanguine expectations of those who had confidence in the enterprise. It rendered possible the opening-up and the development of the Great North-west, the most productive wheat-producing area in the world, into which hundreds of thousands of immigrants have gone, cultivated the lands, produced wealth, and created a market for the manufactured products of other portions of Canada. The railway was for many years the one connecting link between east and west, and was during that time the greatest unifying factor in the country. While it has undoubtedly benefited British Columbia, aiding in its development and furnishing an outlet for its products, it has, as a great national undertaking, benefited the whole country to a much greater extent. Notwithstanding the national character of the undertaking, British Columbia has borne the burden of contributing large areas of her public lands to aid in its construction -- largely on account of the predicted failure and burdens to be created -- and today is the only province of Canada which granted lands towards the building of the railway, national in its character. The

Intercolonial Railway was provided for in the Confederation pact; it was a part of the price paid by Canada for the entry of the Maritime Provinces into the Dominion, and no doubt the Province by the sea, as well as other portions of Canada, profited by its construction. The Maritime Provinces, however, contributed no lands to aid in building it; they have, it is true, contributed their share of the cost to Canada of the building of the road and of the deficits which were encountered in its operation, in the same way as the people of British Columbia have contributed their share as citizens of Canada of the moneys expended in building the Canadian Pacific. The situation is one which, in my opinion, calls for a remedy, and the remedy should be the restoration of the lands held by the Dominion in both the Railway Belt and the Peace River Block. When this is done, British Columbia will be placed in a position of equality with the other Provinces in respect of the cost of the construction of the Canadian Pacific Railway."

Now, the point I am making is this: Once that was judicially determined, and I think I might call that in effect a judicial determination, of course made by a judge but made by a judge sitting as a Commissioner, the Dominion's position must of necessity be one for election. In the case of Alberta, Saskatchewan and Manitoba the Dominion in addition to restoring the lands appointed a Commission to determine what, if any, and how much remuneration should be given to these provinces for the time that they had been dispossessed of their lands.

THE CHAIRMAN: Was it not to consider what should be allowed them for the land alienated?

HON. MR. FARRIS: Well, I take it for the alienation and I take it for any other forms of revenue or accounting for the Dominion. I am quite willing to put it even on the grounds of alienation, because there has been alienation in British Columbia. The Dominion has never taken the position of allowing even an enquiry as to remuneration to British Columbia. It was not within the scope of the Martin Commission and that question has never been investigated. There can only be one position under those circumstances that the Dominion can take and that is to allow the \$100,000 a year, which was nominally applied for that purpose, to continue in actuality to be so applied. It is on that basis. Now, if you look at the brief of 1935 you will find that the presentation as of that date has put the argument in both ways. It has put in the claim of British Columbia because of the 60,000 population as against 120,000; it has also put in this claim for the accounting for the use of these lands by the Dominion and the disposition, I left the second part entirely out of the brief, taking the position in my own mind, which I now state to the commission, that we were not entitled to have it both ways, nor was the Dominion to have it neither way, and the logical thing to do was to accept the historical situation plus the actual facts of what the Dominion did at the Martin Commission, and allow the \$100,000 to stand where it has always stood on the records and that as today once it was determined that those lands should never have been put up by British Columbia --

THE CHAIRMAN: It has not been determined they should never have been put up, Senator. That is putting a construction upon the language --

HON. MR. FARRIS: They should never have been put up if the facts had been properly known.

THE CHAIRMAN: Surely that cannot be. The railway could not have been built without land grants or cash subsidies.

HON. MR. FARRIS: The land grants were not given to any other portion and the C.P.R. did not accept --

THE CHAIRMAN: Yes, the land grants through Saskatchewan and Alberta, 25,000,000 acres. They did not get those back.

HON. MR. FARRIS: Yes, but the C.P.R. did not accept these lands in British Columbia.

THE CHAIRMAN: No, but the Dominion gave the C.P.R. land grants and the Dominion got this in some sense to help meet the situation.

HON. MR. FARRIS: But here is the finding today as I have just read it.

THE CHAIRMAN: Quite, but that does not say they never should have been put up.

HON. MR. FARRIS: By the province, I would say yes, that must be the finding. It does not say that the grants should not have been used by the railway but it is an express finding that British Columbia was discriminated against in being required to put these lands up.

THE CHAIRMAN: Well, if that is it, I do not agree with it, because lands were put up in Saskatchewan and Alberta and they did not get them back. And if we are not bound by agreements, as I think we are not, we are not bound by an expression of opinion.

HON. MR. FARRIS: Well, this is more than an expression of opinion. It is a basis on which a determination was made.

THE CHAIRMAN: Quite so. It is binding upon us to the extent that the lands were transferred back, and if you claim an accounting it may be the Dominion should give an accounting in pursuance of the claim put forward in the brief of 1935. I am not dealing with that at all. We may say you have a

right to an accounting. I express no opinion on that because I have not heard the argument on it.

HON. MR. FARRIS: I have not presented an argument on it and I have stated the reason why. I say the Dominion has accepted a certain position in regard to this and we have let it go at that. But if there is any doubt about what this language means I would like to read it again, Mr. Chairman.

THE CHAIRMAN: I have heard it. It does not change it by reading it twice.

HON. MR. FARRIS: Except it may give more consideration to it.

THE CHAIRMAN: We will give most careful consideration to it.

COMMISSIONER DAFOE: As I understand it what you are saying is that the \$100,000, which was really in addition to the subsidy, up to the Martin Report, thereupon became compensation for the alienation of the lands. It switched from one category to another. Am I right in that?

HON. MR. FARRIS: In so far as the public was concerned, as far as parliament was concerned, it was always allocated to the lands.

COMMISSIONER DAFOE: Technically.

HON. MR. FARRIS: More than technically because parliament gave sanction to it on that basis. But behind the scenes it is intimated that the reason that was done was for another purpose, but I say the other purpose ceases to have any validity once the Martin report shows what the real situation ought to have been from the start.

COMMISSIONER DAFOE: And it then becomes compensation

HON. MR. FARRIS: Yes.

COMMISSIONER DAFOE: Actually as well as legally.

HON. MR. FARRIS: I say, once the Dominion takes the

position which it did in the Martin Report as distinguished from the position it took in regard to the lands of the Prairie Provinces, that in preparing this case I accepted that situation and left the allocation of the money where, from the standpoint of all parties, it has been remaining.

COMMISSIONER DAFOE: That was the position taken by Judge Bigelow in his minority report in Saskatchewan.

THE CHAIRMAN: If that was really compensation for the lands, senator, and assume that it was, then when the lands were conveyed back all but 1,600,000 acres, should not there have been a proportionate reduction in the amount to be logical?

HON. MR. FARRIS: In the amount?

THE CHAIRMAN: Of the \$100,000?

HON. MR. FARRIS: That was not done in the case of the Prairie Provinces. Any allowances that had been previously made were never changed but additional grants were given. But I would say that if the only grievance that British Columbia had was on the basis of the time of Confederation that would be so, and that is why I say giving these figures sometimes misleads. The actual argument I have presented here, if it is sound, shows that the discrepancy of 60,000 at that time, which was based on the difference between what we were surrendering, and obligations and what we got, has widened progressively from that time to this and the figures I have given here show that and I say that is the real basis of our claim. I could wipe out that No. 2 argument altogether, throw it by the board, and I think our position would be substantially as strong anyway, because it is on that broad principle. This is really a subordinate argument within that broad principle.

Now, may I say, Mr. Chairman, before I proceed on these two other headings that, with the approval of the Commission what I wish to do is this: I do not want to close the door

to any comments finally at this hearing here by either myself or the Prime Minister after my remarks for the present are made. I would ask you to hear Dr. Carrothers supplementing what I have said in regard to some of the economic aspects of the tariff and also to include in that comments in regard to freight rates. And I wish to make this comment in that connection: I stated in regard to the tariff we were not here seeking the removal of the tariff. We recognize that as the policy of Canada and recognize that all portions of the country must accept the tariff so far as our constitutional relations are concerned. There is a tariff board, there is a parliament to deal with these matters and I take it the same situation is so in relation to freight rates. There is the parliament of Canada functioning and there is the Railway Commission of Canada and that I conceive, as far as this Commission is concerned, freight rates, like the tariff and like the mountains, will have to be accepted for good or bad as one of the existing conditions of the country.

THE CHAIRMAN: We cannot say to the mountains, "Be thou removed and cast into the sea" nor change the tariff or the freight rates.

HON. MR. FARRIS: No, I take it that is the basis, and it will be on that basis that Professor Carrothers will supplement what I have attempted to say in a general way.

Then, in addition to that the heads of departments are being called, originally at the suggestion of the Commission itself, but incidentally as their answers are given considerable light may be thrown on some of the problems that we have already been discussing. And next, on top of that the municipalities are represented here. The Counsel for the City of Vancouver is here. He has consulted me from time to time in relation to what has been

done and while I have had nothing to do with the preparation of his brief, nor did I see it until after it was prepared, we do regard the submission of the municipalities as part of the province's case on the basis of what I have already said. So all this comes, if I may put it, under my wing as counsel for the province and at the end of these various representations further summing up comments may be useful to the Commission.

THE CHAIRMAN: Quite so.

HON. MR. FARRIS: In the meantime I leave that part of the case and I deal now with these two headings which I put as further submissions and again I repeat as I said yesterday, Mr. Chairman, on that, that those two further submissions, I think, the unemployment relief one comes in mainly as part of the general case of all the provinces for readjustment, with certain specific conditions in British Columbia, that would come in under what might be termed "Better terms for British Columbia".

THE CHAIRMAN: Owing to climatic conditions you suffer more than others, you say.

HON. MR. FARRIS: That is the suggestion, yes, and we do not think that the benefits we enjoy in climate should be taken away from us or charged up against us in that connection.

THE CHAIRMAN: Should you not be willing to even up with the prairies? They have to stand the cold winters.

HON. MR. FARRIS: They claim to have a more exhilarating air than we have and so on. "Unemployment Relief". This is on page 33:

" Relief for unemployment has been dealt with in Canada in the past on the basis that it was a responsibility primarily resting on the provinces and municipalities.

It is submitted that the time has come when the responsibility for the care of the employables who are unemployed should be fully assumed by the Dominion for the following reasons:-

One: The unemployment condition today is vastly different from that before the War. For years unemployment was mainly confined to three groups: The unemployable; those engaged in seasonable occupations; those out of work because of temporary conditions due to the cessation of an industry, a local calamity or some other isolated cause.

Today, however, unemployment has assumed new aspects and presents new problems. No longer are the unemployable the majority of the unemployed. The problem is no longer sectional, seasonable, nor temporary. It is a definite national condition. It exists not only in Canada, but in the United States, Great Britain, and other countries. Unemployment has attained dimensions requiring treatment for the peace, order and good government of Canada.

Two: The condition is now national in scope and presents problems of a national character with which only the Federal Government can properly deal. The subject of unemployment today presents three distinct problems:-

- (a) The immediate problem of relief to the needy.
- (b) The problem of unemployment insurance to provide for the future.
- (c) The economic and industrial problem of reducing unemployment by providing employment.

These three require action as parts of one

coordinated whole; and in this way can be dealt with only by the Dominion.

The needy of today are the result of economic and industrial policies of the past. The employed of tomorrow will be indebted to the economic and industrial policies of today. Unemployment Insurance must be national to be effective, and it cannot logically or practically be divorced from the problem which makes it necessary or the policies affecting its existence.

Three: Unemployment by its very nature requires to be dealt with by Federal power. If it is of general seriousness no other power is adequate. If it is particularly serious in sections these localities are least able to bear the burden.

Four: The provinces must have relief in the readjustment of their relations with the Dominion. Within its limits in no other way can a more equitable form of readjustments be made. It automatically provides its benefits where and when they are most needed.

Five: It is the most effective way to deal with the problem of transiency.

British Columbia has a special problem and special claim in this particular. This is due to her mild and attractive climate and to the beneficence of her legislation, and to the wanderlust which seems to bring the dissatisfied westward till they can go no further. For further discussion of the transiency problem in British Columbia I refer to Part IV., pages 130 to 142."

Perhaps we should look at that for a moment.

THE CHAIRMAN: Are you asking others to assume responsibility because of the beneficence of your legislation?

HON. MR. FARRIS: Yes, I think so. I am quite sure I could go back a number of years ago when I was in the

Government of this province, instances came to my attention at that time where, in the case of Mothers' Pensions, people had deliberately moved into this province to get the benefits of that; and while I have not checked up on the figures in detail since that, there is no doubt that has continued. I am not going to read it, but in the municipal brief you will find indication of that fact as well, At page 130, Mr. Chairman, Dr. Carrothers has make an analysis here which indicates some of these conditions that have been coming on, by studying the institutions and all that kind of thing. I presume you would prefer we would read it rather than refer it to the Commission to read later?

THE CHAIRMAN: If there is any particular point you wish to bring to our attention, you might do so.

HON. MR. FARRIS: It is all directed to the fact that the problem of transiency is a real one in British Columbia and must be considered.

THE CHAIRMAN: I imagine it is. It has been brought to our attention in other provinces too, and no doubt it will be in Alberta. They claim the problem is a serious one.

HON. MR. FARRIS: The premier points out that it is because of this problem that in one of the recommendations he has made the recommendation in regard to residency rules to be general throughout Canada.

THE CHAIRMAN: You might read sufficient to give us an indication of the causes of the problem here.

HON. MR. FARRIS: Well, I am not sure that I can summarize it. I will either refer it to you or, probably, have to read it. There are six or seven pages here.

THE CHAIRMAN: Perhaps Dr. Carrothers, when he comes to speak, could summarize it for us, as he has drafted it.

HON. MR. FARRIS: Very well, I will leave that for Dr. Carrothers. There are supplementary figures which he can give as well. Page 34:

" In emphasizing that the Dominion should assume full responsibility for the employable unemployed, sight must not be lost of the fact that further provision should also be made for transients in the case of the unemployable. If the provinces and municipalities are to continue to assume this service, some protection and assistance must be given this Province for the unemployables of other provinces who are coming here in increasing number."

Now, insofar as I have dealt with this I have emphasized the unemployables, but you will notice in the recommendation by the Prime Minister "unemployment" without that distinction was used, and it was not my purpose in making the distinction to eliminate the other cases. My suggestion is this: That subdivisions of responsibility, part to one jurisdiction and part to another are undesirable generally speaking, so far as administration and organization are concerned, and I would not think it wise. In other words, the primary reason for this readjustment, or one of the reasons, is that it naturally belongs to the Dominion under the present development of conditions.

THE CHAIRMAN: Your proposition would carry you to the indigent, the poor, the ones who have always been a charge and who, under the B.N.A. Act, are necessarily a charge on the province.

HON. MR. FARRIS: And I would say, properly so, taking them only, but once the field gets to be as big as it is now, where the main problem is not indigence as such or the aged as such, but it is unemployment as we today understand it,

that there is not much sense in dividing up jurisdiction, that there are probably certain aspects that, from a practical and administration standpoint, should be left with the province, but broadly speaking the whole question of unemployment fits into one organization and one only and if the Dominion is to undertake it they ought to do the whole thing.

THE CHAIRMAN: Just on this point, because we recognize it is very important, the method of treatment of unemployables, which includes all classes of unemployables, mentally and physically incapable of work, and so on, the method of dealing with those is quite different than the method of dealing with unemployed. A certain section of those would be kept in homes, poor houses, -- we call them by a better name today.

HON. MR. FARRIS: Mr. Chairman, I agree with that, but may I make this qualification to that? That is so largely because of the present state of development of how the whole subject should be handled. But, as we look in the future the question of the aged and the infirm must be tied very closely to the question of insurance, that if it is the intention, and it seems it must be, of Canada and of all modern countries to try to deal with unemployment not merely with palliatives for the present but as something to be anticipated and dealt with in the future, then, as I see it, what heretofore has been a separate, we might say, problem, the aged or the infirm, very largely merges into the schemes for the future dealing with the whole problem. You cannot make a distinction between insurance that is providing for the future for a man who is out of work when he is well and hardy and a man who gets out of work because age comes on him. That all, in a properly devised scheme, has got to merge in one common plan. Men are out of work today on account of age when they are forty-five, because they

prefer to pay younger men.

THE CHAIRMAN: Is that so in England? We were told by Mr. Brown of the Department of Labour that it was not so in England, that it was separate administration.

HON. MR. FARRIS: That may be, but it seems to me that as we look to the future we are all pioneers in this, we are co-pioneers.

THE CHAIRMAN: Quite.

HON. MR. FARRIS: The Civil Service in this province will not take people into their employ after a certain age, the Premier mentions. And the question of unemployment because of age, the period when it is because employers prefer younger people and when it is because they think a man is incompetent, is becoming a very shadowy one, and I do not see how it is practicable in the future to make these distinctions. And so I am suggesting taking it as a broad principle, looking to the future, the tendency ought to be more and more to coordinate all these schemes into one common proposition, and the more you have these artificial divisions and the more you have a decentralization of control, the more it tends to defeat what ought to be the future treatment of this question.

THE CHAIRMAN: Speaking on the broader issue, I quite recognize the force of your argument in connection with unemployment insurance; it must be a national scheme to be effective, but it may be we cannot have a national scheme by reason of the provinces being unwilling to agree to amendment and the Dominion not being willing to try to force it. If we do not get unemployment insurance then we are in about the same position as we have been in the past four or five years. Now, why do you say the Dominion should take the whole thing over when it is, under the B.N.A. Act, a distinct responsibility of the province.

HON. MR. FARRIS: I can only repeat what I have said.

THE CHAIRMAN: I can understand this argument, it should be taken over because the province cannot afford to pay, but that is fiscal need. I am referring to the question of principle.

HON. MR. FARRIS: I have enumerated the reasons here, 1, 2, and 3, and I think they might exactly answer, Mr. Chairman, what you are asking me. That is, at page 133. One and two point out the changes in conditions and that the problem is now a nation-wide one.

THE CHAIRMAN: It is a nation-wide one, that is perfectly true, Senator, and it is an international one, that is perfectly true, but fortunately, or unfortunately, under the B.N.A. Act there are certain problems in its present construction which are really national that have been held to be provincial. What I want to get is why this, which is admittedly provincial under jurisdiction, should be taken out of the province and put in the Dominion, if we cannot have any unemployment insurance? Cannot unemployment relief be better administered by the province and the local communities than by the Dominion? Is it not true that the closer you get to the point of administration the more likely that ^{it} will be efficient?

HON. MR. FARRIS: Your question is put as a hypothetical one on the assumption, I take it, that the Dominion will not be able to carry out its present proposed policy

THE CHAIRMAN: I say, assuming it is not able. I can understand without any doubt unemployment insurance, to be effective, must be national in scope, the Dominion must have control, but assume the Dominion cannot get control, has not got it yet, then I raise the question whether the administration of unemployment relief cannot be more efficiently done by those in the local community

in touch with the actual situation and in a measure responsible by way of taxation for the cost, than it can be done by control in Ottawa?

HON. MR. FARRIS: I have not directed my mind to that question in that way, because I had not quite seen that it was going to turn out other than the present proposal at Ottawa or from what this Commission will propose, that we would be driven to this position. I would suggest this, I would like to consult -- I have had a whispered consultation with the Premier -- but I would like to consult him and have more time on it and answer it at a later time.

THE CHAIRMAN: That is perfectly all right.

HON. MR. FARRIS: Because I have been putting all the eggs in one basket, I have been starting out with the proposition that if possible it should be a national policy with corresponding powers, and if the alternative of that has got to be considered I would like to have further instructions because after all I must speak for the Government here and not my own views.

COMMISSIONER MacKAY: Another question: might not the policy of the province or sometimes the policy of a municipality be responsible in some measure at least for the unemployment within its jurisdiction, within its territorial limits? For example, supposing a municipality by granting special favours induces a large industry to come in, the industry builds up a labour supply, perhaps the municipality has been unwise in inducing this industry to come in, the industry closes down and they have a lot of unemployed on their hands. Is that a Dominion responsibility? It seems to me there is some local responsibility there, is there not?

HON. MR. FARRIS: I would say taking that as an isolated instance maybe there is.

COMMISSIONER MacKAY: Well how could you ask the Dominion to be responsible?

HON. MR. FARRIS: But my answer to that is, you must not split up responsibility too much. You must in the first place determine, as a general principle, where should the responsibility lie. You must take it along the broadest lines you can.

COMMISSIONER MacKAY: Probably you are speaking of responsibility in a different sense. You might say the Dominion tariff has been responsible for unemployment in all Canada, the same thing may have happened in a province or a municipality and it created unemployment in a community, Now it seems to me if a province or a municipality is responsible for creating the position, should it not have some responsibility for keeping the people.

COMMISSIONER DAFOE: Or to put it another way: if you are going to turn over the whole responsibility to the Dominion for this, then has the Dominion the right to say that the province shall not adopt certain policies, the province shall not, for instance, deplete its raw materials too rapidly lest it create unemployment?

HON. MR. FARRIS: Now, Dr. MacKay, let me see if I can get my own mind clear on it. We are just now talking about jurisdiction, not responsibility.

COMMISSIONER MacKAY: Yes.

HON. MR. FARRIS: We are assuming for the moment that my argument prevails and the general jurisdiction to deal with this question is federal, then the question of detail arises. I would submit then it would only be a question of detail, assuming the Dominion has acquired jurisdiction, that it is making provision, generally speaking, for unemployment, how far it should be able to go and levy on some local province or municipality and say "You must

contribute to the general provision we are making because you have created it."

COMMISSIONER MacKAY: I do not know of any circumstance in Canada in which that principle is applied.

HON. MR. FARRIS: Let us take to-day, for every local situation of that kind that might happen by a municipality, how much more it happens in regard to the tariff. Let us take the textile industry. It is fresh in our minds the different issues that have arisen there. At one time when the tariff reductions were made, as I recall it, these industries actually shut down. Now, that is an illustration of how on a vast scale a situation of unemployment may be created by changes in the tariff policy.

COMMISSIONER MacKAY: It seems to me, if I may just point to the conclusion which seems to me to follow what I am saying, if what I am saying is correct, it seems to me that it is only logical to expect if the Dominion takes over this whole field and bears the responsibility, then the province must be prepared to lose its autonomy in certain other respects.

HON. MR. FARRIS: No more so than to say if unemployment had continued without its present national aspects and international aspects and unemployment then rested on the municipalities, it would never have been listened to for a moment that we should have gone to the Dominion and said "The municipalities and the provinces must have something to do with your tariff policy."

COMMISSIONER MacKAY: That is the viewpoint of your argument in certain respects. You are asking compensation for the tariff in certain respects. However, that is aside from the point. That has nothing to do with this argument.

HON. MR. FARRIS: No, I think that analogy is quite foreign. One is the general tariff policy in its general

incidence. The other is the case of special incidences that happen from immediate variations. I would not have thought they were quite comparable. All I want to emphasize again is that that is not a question of jurisdiction, I say it is a question of detail as to how far arrangements should be made where special conditions impose an extra obligation on the general authority, whether they should not have the right to say in a case of that kind "You should help out in this particular case."

COMMISSIONER ANGUS: To take an example, I think perhaps it would help Professor MacKay's argument, I suppose it would be admitted that if the province fixes its minimum wage average too high and created unemployment in that way -- it is a rather fantastic hypothesis, but suppose that happened -- then if the Dominion were handling unemployment it would almost go without saying that it would have some right to put pressure on the province to bring the minimum wage average down.

HON. MR. FARRIS: I presume they would make a complaint. After all, is not that how things of an isolated kind that might happen of that nature must always be adjusted, complaint and representation, plus the political voting power of those who may be affected one way or another.

COMMISSIONER ANGUS: Would not you contemplate perhaps the right of asking to do something more than complain in a situation of that kind?

THE CHAIRMAN: The Senator probably would say, as Mr. Pattullo did, that the control of the wages and hours should be transferred to the Dominion. That is still subject to limitation.

COMMISSIONER DAFOE: Subject to an additional margin

of local control.

HON. MR. FARRIS: I do not see why the question of autonomy should come into this, any more than it does in any of our relations between the province and the Dominion, because there are so many ways whereby one jurisdiction may, by taking some special action, affect the financial position of another jurisdiction.

COMMISSIONER DAFOE: This is a proposal to change the present set-up in order to create a set-up from one jurisdiction to another.

HON. MR. FARRIS: It is.

COMMISSIONER DAFOE: And it should safeguard itself in regard to it or it will be vulnerable.

HON. MR. FARRIS: It would be no more vulnerable from that view than are the two powers to-day in this regard, one more instance in a hundred and one instances that might be given.

COMMISSIONER DAFOE: It would create one more avenue.

HON. MR. FARRIS: It seems to me there would be less danger of it in this instance than in some others. The Premier would like to say a few words on this question.

HON. MR. PATTULLO: I thought perhaps I should make a statement because I followed this very closely. Senator Farris is not familiar with all that occurred at the various conferences held. This government has taken the ground consistently that the primary responsibility of handling this unemployment problem should rest on the Dominion, not meaning at all and never have we stated that the province should not co-operate to the fullest possible extent in using the provincial machinery to assist in the solution of the unemployment problem. I interpreted the statement made by the present Prime Minister of Canada as accepting, on behalf of the administration, responsibility

for unemployment. -- I have not finished, Mr. Chairman. -- On the other hand the Right Honourable Mr. MacKenzie King has made observations to correct that impression. But consistently we have maintained that they still have the responsibility of this, because the unemployment problem is beyond the possibility of the power of the province to cope with it by reason of economic conditions, by reason particularly -- I am not speaking for the other provinces, I am speaking for British Columbia -- the matter of transients coming into this province which upsets our whole economic position. Most of these transients are young people. They get positions in preference to older people and the older people go on relief, people who have lived here a long time. Also people are coming from the prairie provinces, I understand they have their expenses paid to get here and given a short time to live, a subsistence, and then they are on the province's hands. I am glad to see them in one sense if we get help because they are coming probably to more favourable conditions and will in time become a great asset to this province and in that sense we very much welcome them. I say that while we must maintain the position that Ottawa should take the main responsibility and give the lead to the rest of the provinces, set standards to which the provinces must live, as far as this province is concerned we are willing to co-operate to the fullest extent with the Dominion authority in that regard. We do not think for one moment that we are not going to make a contribution to it. We cannot do it, but if Ottawa sets up the standards we will endeavour to live up to them. At the present time Ottawa has been giving us some assistance, a lessening assistance each month. We do not know now what we are going to get next month. And in regard to these Ottawa agreements which

we have to sign, argument came up yesterday, I just forget what the reference was, it is a case of Hobson's choice. We sometimes sign an agreement we cannot possibly carry out, but there you are, Ottawa makes you sign on the dotted line when you cannot carry it out. Ottawa knows it but Ottawa makes you sign it to get it. Probably that is the reason of this \$100,000 and the land business. The Dominion wanted it and we had to take it. As I say, we want to co-operate with the Dominion to the fullest extent but the Dominion should take the responsibility, and yet our province will co-operate and we would be glad to administer the rules and regulations laid down by Ottawa.

COMMISSIONER DAFOE: Would the contribution be in any respect financial or would it be administration? You say the provinces are willing to contribute or co-operate. Would that involve a measure of financial responsibility or would it simply be you would put up the administrative machinery?

HON. MR. PATTULLO: No, it would involve a measure of financial responsibility with the Dominion government. The Dominion government is giving less and less and leaving all the responsibility with us. I mentioned the Doukhobor problem. We did not bring the Doukhobors into the province, and yet during the present burnings and so on up there we had to put on a hundred extra policemen and keep them on several months, a hundred a day, to look after them. That is quite illustrative of this unemployment relief. And with reference to unemployment there are many borderline cases. It is hard to say which are the unemployed. Under an agreement with the Dominion we are making an extensive classification at the present time and doing it ourselves in co-operation with the municipalities. There

are certain people who used to be taken care of by their friends through charity who are now definitely at the stage where they must be considered unemployed. On the other hand there are some who can be considered unemployed for a certain time. I suppose it is hard to have a clear-cut classification and differentiate because some people are unemployed at a certain time, but we are carrying that out at the present time and we are only to glad to do it with Ottawa, but we say Ottawa should assume a larger share. We are not asking for any disproportionate share, but should assume a certain responsibility for laying down certain standards and so forth and also in certain classifications should make the total contribution, and that is transients who come here and do not qualify under the rules and regulations laid down for residents, with regard to which I made a recommendation Wednesday morning.

(Page 5135 follows)

COMMISSIONER DAFOE: The proposition being advanced by the Senator was the control of the unemployment relief, that unemployment down to indigency should be a Dominion responsibility. If it were a Dominion responsibility, the responsibility for the contributions the provinces and municipalities make, would it be a proportion which the Dominion could determine? Would there not inevitably be an attitude by the provinces and the municipalities, that this was a Dominion responsibility, so let the Dominion attend to it? Then, if the Dominion accepted full financial responsibility and the provinces or municipalities through their administration helped to administer it, would not the provinces or municipalities be inclined to take a very lenient view as to the amount of Dominion money which could be properly spent in those municipalities? The whole question is full of difficulties. In a case like the present where the Dominion government is free of the responsibility, the Dominion government has not recognized it as a responsibility, has a good deal to support it. When you come to the point of saying the Dominion ought to accept the full responsibility for the whole thing, you are advocating the creation of a Dominion-wide organization, administered from Ottawa, which I think, would be enormously expensive, and which might be inefficient, because it would lack the local knowledge and consideration which applies at the present time. It would seem to me that there has to be some basis of cooperation as between yourselves.

HON. MR. PATTULLO: I did not mean to imply that the Dominion would set up an organization.

I was arguing the other way, I think, to be effective, it would have to be administered by the province. The Dominion has not its own organization at the present time, yet the Dominion pays the bill; we have been administering.

THE CHAIRMAN: Mr. Premier, if I rightly interpreted what you have said, you would favour the present arrangement, if the Dominion paid a larger percentage.

HON. MR. PATTULLO: Yes, there are certain details--I am speaking by and large. The Minister of Labour who has the responsibility for the administration of this Act is familiar with the details, and I would like to ask him, if I may, if he would make a few observations.

HON. MR. PEARSON: May I say the observations which have been made by yourself and Mr. Dafoe, are, in my opinion, very well taken. If the federal government is responsible, financially, undoubtedly the Dominion would set up machinery to take care of it. As Senator Farris has pointed out, during the past five or six years, a new type of indigency has crept in which was never accepted as a responsibility of the province before. Before that time, the accepted definition of an indigent person was that of a person who was broken down, who had no friends, relatives, or any one who could be of assistance to that person. These were the people who were taken care of by the municipalities or the provinces at that time. To-day, we have the type of person who is unemployable, no doubt due to the shortage of employment, and these people have become the responsibility of the municipality and the province. For the most part, these are people who are too old. This is true, especially in this province. Industries, such as the logging industry require young, virile men.

At forty-five, most of these men are not fit for employment in this industry. Practically the same thing applies to the mining industry. A great deal of the industry in this province is essentially a young man's industry. Most of the men of forty-five or fifty years of age in this province are not fit for any other type of occupation in a province such as this. Then, there is the man who gets slightly disabled in one of these industries, and this man cannot go back again. This has created a new type of indigency because there is a lack of variety of occupation. and because the men are either too old or slightly incapacitated; they cannot go back. It is the feeling in this province that this is one of the classes which should be included in the responsibility of the federal government. The same considerations apply in the matter of transiency which is a most serious problem in this province. So far as this province is concerned, if it were not for transiency--these young transients who are securing occupation in our industries--most of the men could go back into our industries, except those who are incapacitated. This province would not have a shortage of jobs for men capable of going back into industry during the past two years. The young men have taken the jobs, as the premier has said, and the older men or those who are incapable of carrying on have become a responsibility. Unquestionably, the question of transiency has to be settled. I pointed this out at the conference of premiers in 1934, before we had reached this stage, if the question of transiency were settled, British Columbia would be the first to feel the revival of industrial progress and if it were not, this province would be the last to

see the end of unemployment relief. We still feel the same way about it. We would like to see the Dominion government accept definite responsibility for that problem. What we want done is this; we want the scope of the federal government increased to take in these various classes instead of being narrowed down to the very narrow classes which are included at the present time. The federal government should accept a larger percentage of the financial responsibility for taking care of all of unemployment relief in these different classes which we have mentioned. The administration of it should be left in the hands of the provinces, and the provinces could delegate some of that responsibility to the municipalities. I quite agree with the view expressed, that the administration of this is handled best by the authority in closest contact with the problem.

THE CHAIRMAN: Just one question, you say if the Dominion would assume greater responsibility for greater classes--I assume you are referring to the recent classification of those going on relief?

HON. MR. PEARSON: Yes, but, so far as the great problem of transiency is concerned--

THE CHAIRMAN: Oh, I know that is a different matter.

HON. MR. PEARSON: When we come down to the unemployment of men, which is a different type of indigency from the unemployed, the Dominion government should extend its responsibility to that class, also. This would leave with us, responsibility for that definite class of indigency created through physical or mental handicaps.

THE CHAIRMAN: At the present time, the Dominion only contributes unemployment relief to those who are unemployed

but not unemployable.

HON. MR. PEARSON: Yes, but it is true there has been a certain leniency shown during the last few years. Even the federal government has not been drawing quite as fine a line as it used to draw. However, it has accepted responsibility only for those who are definitely employable.

COMMISSIONER MacKAY: You think the system used, with respect to old age pensions, whereby the Dominion pays a large contribution, but lays down fairly strict conditions concerning the payment of old age pensions--do you think that system is, in general, applicable to the problems which you have in this matter of indigency.

HON. MR. PEARSON: My own viewpoint is that the correct way to deal with this is by the method of setting up minimum standards, especially set by the Dominion government. This would overcome, at least I think it would overcome, the problem of the whole Dominion agreeing to a scheme with the Dominion government. It would be the same as it now does with old age pensions. However, of course, they go further in the matter of old age pensions and definitely set the standard. My suggestion is that the federal government should set a standard to which the provinces must adhere if they are to receive assistance. The assistance would be in ratio to the amount expended by the province. This would allow for a different standard in each province which would be needed as there are, at the present time, different standards of living in this Canada of ours. If the assistance was put on a standard

basis throughout, then the province which had a high standard of living would be in a less favourable position so far as this service was concerned.

HON. MR. PATTULLO: I think in the last part of his remarks, Mr. Pearson made the situation very clear, namely, that the Dominion take the lead and set a standard. So far as this province is concerned, we will cooperate to the fullest possible extent, but the Dominion would have to take a larger share of the cost than it does now. This government does not know what the Dominion will give it for next year, our next fiscal year commencing in April. It may be less than the Dominion is now contributing. I remember two years ago the Dominion was going to cut off all relief in the month of July, and I said, "You won't be cutting it off for twenty years."

THE CHAIRMAN: There are four possible methods of dealing with the question : One is the present method. Another method of dealing with it would be through the medium of unemployment insurance, should it become law, that is, if the Dominion should be given the jurisdiction to deal with unemployment insurance. I understand Senator Farris contends that in that case unemployment aid should be administered with it; I would just like to get your views upon this matter. Perhaps you would prefer to confer on it and let us know your views at a later date.

SENATOR FARRIS: I was just putting our argument in abstract form. You are getting it now from the government, and it is concrete, of course, they are the governing ones.

THE CHAIRMAN: Let me put this proposition to you, so we will have the benefit of your views upon it. There is

the possibility of continuing the present setup, but with the adjustments which might be made between the provinces and the Dominion so far as contributions are concerned; that is one. Secondly, there is the possibility of Dominion unemployment insurance, following an amendment to the B.N.A. Act. This might leave the province to look after all others with a grant from the Dominion or without, as the case may be. The third proposition is that the Dominion might become responsible for unemployment insurance, and also become responsible for unemployment aid, and administer it with unemployment insurance. The payments from unemployment insurance only last for a certain number of weeks, and when that period has expired what is a man to do? Should he be looked after by the Dominion or should the primary responsibility for that rest with the provinces.

HON. MR. PATTULLO: It is for this very reason that recommendation number nine was put in. I say, "The Dominion should exercise exclusive jurisdiction over unemployment insurance, but it is suggested that before any measure is submitted to the Dominion Parliament, the text thereof be submitted to the provinces. It is for this very reason that number nine was inserted, in order that we could make suggestions following along the line which your Lordship has suggested.

THE CHAIRMAN: It seems to me that the two things are entirely different. One is the Act which should be amended to give the Dominion jurisdiction, and the other is the form which the unemployment insurance legislation should take.

I do not know how you can tell the form which the legislation will take before the Dominion has jurisdiction. If the Dominion has jurisdiction, it must be in a position to amend the Act from time to time. It is perfectly true that to do that, it might get suggestions or advice from the provinces, if they care to give it.

HON. MR. PATTULLO: All I was suggesting is, "Let us have a look at it before it is submitted to Parliament, so that we can temper the legislation. It may be that we have no authority, whatever, but because of this larger question of unemployment as a whole.

COMMISSIONER ANGUS: I would like to ask Mr. Pearson a question about the new category for unemployed people of forty-five who can no longer be employed. It might be said that unemployment of this character is really a concealed cost of the industry. The industry itself, in operating, is producing that new category of unemployed. As one of its costs, the burden of it should be borne by the industry which produces it. If that were done, whether the matter were controlled by the Provincial or Dominion government, the cost would come back to the same point; it would not be borne out of taxation spread over the whole of Canada.

HON. MR. PEARSON: It is true that industry might be asked to carry this charge as part of their cost, but, in my opinion, this would be a difficult process and can be much more satisfactorily covered through the ordinary course of taxation.

THE CHAIRMAN: I did not quite get through with the fourth proposition, so I would like to put that now. I was suggesting the third proposition which was the case of the Dominion having had the power to enact unemployment insurance legislation and being responsible for unemployment

aid, but leaving to the provinces the responsibility for any further unemployment, and, of course, all indigents and unemployables. The fourth proposition is the one which I understood Senator Farris to present to us in his argument, that the Dominion should take over the whole unemployment problem and become responsible for the whole financial burden as well as for the administration.

HON. MR. FARRIS: Mr. Chairman, I have already suggested that a further, definite statement would be made. I think it would be advisable to make one statement later, which would cover the whole field.

With that understanding, I could leave that for the moment and deal with the next subheading at page 34 of my Brief of Argument:

"The Pacific Great Eastern Railway is now a provincial government-owned railway. It extends from Squamish at the head of Howe Sound to Quesnel on the Fraser River, a distance of 348 miles. Squamish is 35 miles from Vancouver, and connection is made by steamers operated by the Union Steamship Company."

I might say, the freight connections are made by a tug and barge operated by the railway company itself.

"The Pacific Great Eastern Railway Company was originally a privately-owned enterprise. The promoters and the original builders were Foley, Welch, & Stewart, a firm of railway contractors and builders. The construction of the road commenced in 1912. The scheme was for the construction and operation of the road from North Vancouver to Prince George on the line of the Grand Trunk Pacific Railway, a distance of 470 miles. Foley, Welch & Stewart had been engaged in a large way as contractors in the construction of the Grand Trunk Pacific Railway and were closely

"identified with the officers of that company. The Pacific Great Eastern proposal was developed by the promoters in close collaboration with the Grand Trunk Company and the Government of the Province. It was recognized that the success of the scheme partly depended on traffic arrangements with the connecting line, the Grand Trunk Pacific. An agreement dated January 23, 1912, was entered into between Foley, Welch & Stewart and the Grand Trunk Pacific Railway Company. One clause of the agreement provided:--'All passenger, freight, express, and mail traffic originating in the line of the Grand Trunk Pacific Railway or the Grand Trunk Pacific branch lines, and destined to Vancouver or points on the lines off the Pacific Great Eastern Railway, the routing of which is under control of the Grand Trunk Pacific Railway, shall be routed over the Pacific Great Eastern Railway; the rates and tolls, and apportionments thereof for such routing, to be as agreed upon between the Grand Trunk Pacific Railway Company and the Pacific Great Eastern Railway Company, subject to the approval of the Board of Railway Commissioners for Canada and the government of British Columbia, so far as their respective jurisdictions extend in the premises.'

The agreement further deals with inter-exchange of express and telegraphs on the Grand Trunk Pacific system and the Pacific Great Eastern, and further provides that the agreement is to be binding upon the respective successors of the Grand Trunk Pacific

"Railway Company and upon the several heirs and assigns of the builders of the Pacific Great Eastern--Foley, Welch & Stewart.

The Pacific Great Eastern Road gave promise of opening up a large area of timber country beyond Squamish, the farming areas of Pemberton Meadows, the rich mining area of the Bridge River and Cariboo Districts, and the farming and grazing areas along the Fraser to Prince George. It was also in contemplation that the Railway should be extended from Prince George northward into the Peace River District.

The government of the province, with the desire to open up and develop these important areas of the province, and with the assurance of the success of the venture, because of the possibilities of the country along the line and because of the very important traffic agreement with the Grand Trunk Pacific, made an agreement with the Foley, Welch & Stewart Company whereby the province guaranteed the securities of the railroad to the extent of \$35,000 a mile for 450 miles of the line. The Provincial Statute, Chapter 36 of 1912 authorized the Pacific Great Eastern Company to build and operate a railway from North Vancouver via Squamish to Prince George. By Chapter 65 of the Statutes of 1914 the Company was further authorized to extend the line to the Peace River Block.

The agreement of guarantee of \$35,000 a mile and the

"agreement providing for traffic arrangements with the Grand Trunk Pacific Company were each "ratified, confirmed, and declared to be legally binding" by Chapter 34 of the Statutes of 1912, and the agreements were set out in full as Schedules A and B to the Statute.

In 1914 the guarantee was extended to include a mileage of 480 miles, and provision was made for an additional security of \$7,000 a mile or a total of \$42,000 a mile for 480 miles, amounting to \$20,160,000. These securities have been issued in full and are now an outstanding liability of the province, and through War conditions and other difficulties the contractors were unable to complete their contract, and in 1918 the government of the province was compelled to take over the company, its assets and liabilities."

THE CHAIRMAN: Senator, just on that contract, the original contract was with Foley, Welch & Stewart, was it not?

HON. MR. FARRIS: Yes, Mr. Chairman.

THE CHAIRMAN: How did they get relief from their personal liability?

HON. MR. FARRIS: That is a long story; it happened when I was in the government and. After Mr. Brewster died, Sir John Oliver took his place. The government was elected in the election of 1915, and the first session was held in 1916. One of the first Acts at that session was to appoint a committee of the House to investigate the condition of the P. and G. Railway of which I was the unfortunate chairman. It was a very long and very trying procedure. Foley & Welch were Americans; the other member of the firm was

General Jack Stewart who was, at that time, in France in charge of Railway construction for the British Government, the British army. The railway started at Squamish and it ended at Quesnel or somewhere in that vicinity. A great many settlers were dependent upon it, and it was being operated as a construction road. As a great many settlers were dependent on that road, the situation was a very critical one. I think it was in the middle of winter that the railway ceased operation. Mr. S. S. Taylor who was, at that time, one of the leading counsel in British Columbia was counsel for the Government in the action. Once the government started to tamper, by legislation, with the contract which had been made a statutory contract, the government was advised that it might get judgments in this country, but to enforce those judgments under American jurisdiction would be a very difficult matter.

I am speaking from memory; I have not told this story in fifteen years, at least. In addition to that, we could not serve the General with a writ, and he never was served. Something had to be done; the road had to be taken over and the operation of it carried on. The result was that a settlement was made, under the circumstances, between Sir John Oliver, as Prime Minister, and representatives of Foley, Welch & Stewart. The settlement was effected and the road taken over by the province.

THE CHAIRMAN: Was it afterwards that the name was changed to the P.G. and E?

HON. MR. FARRIS: No, they had a company incorporated. My recollection is that the settlement went through by the unanimous vote of the legislature at that time. Mr. Bowser was leader of the opposition at that time. He had been

the Attorney-General when Sir Richard McBride was Prime Minister, and at the time the agreement was formed.

HON. MR. PATTULLO: I think it is as you say, Mr. Farris, I do not think that at that time there was a single Liberal in the House. The agreement was unanimous, I think, in fact, Mr. Bowser wrote a letter, as I remember it, giving his consent.

THE CHAIRMAN: I can only speak from recollection of the press reports but was there not a good deal of money lost in connection with it?

HON. MR. FARRIS: Yes, the serious situation was, Mr. Chairman, that under conditions which developed the government-- however, as I say, I am speaking now on behalf of a situation which confronted a Government of which our pastime used to be to attack very vigorously. The situation, as justified by that government, was that it was a war situation. The contract had been made under circumstances by which Foley, Welch & Stewart were supposed to put up their money pro rata with the government. This arrangement was not carried out. The result was, as I say, that Foley and Welch were Americans, living in the United States, and the other member of the firm was the General in charge of railway construction in France for the British government. The situation had to be met in the best manner possible. I am not here to criticise or support the wisdom of the then-government. I think that we can say that, wisely or otherwise, they did the best they could under the circumstances, that is about all we can say.

I was reading at page 35:

"The road is now completed from Squamish to Quesnel, and is operated by the company which is owned and controlled by the province. The road was originally completed to a point shortly beyond Quesnel and also 17 miles from Prince George south, leaving a gap of 45 miles upon which there was no steel, but grading was completed. The road was also completed from North Vancouver to Howe Sound or thereabouts, and for a time was operated as an interurban service. This portion has been discontinued, and the constructed portions between Prince George and Quesnel have been abandoned. There is on this portion now 75 miles to be completed. One reason for not completing the line to Prince George has been that the province was deprived of the prospective benefits of the connection of the road with the Grand Trunk Pacific, and the prospects of making its railway the Pacific outlet at Vancouver for the Grand Trunk Pacific transcontinental line."

There is no doubt that in the promotional days of this road this agreement was regarded as a very valuable and important asset or factor in the scheme.

"This was due to the fact that the Canadian Northern had obtained its outlet to Vancouver by way of the Thompson and Fraser River Valleys. When the Dominion amalgamated the Grand Trunk and the Canadian Northern into the Canadian National system, the value of the P.G.E. Railway Company's traffic agreement with the Grand Trunk was completely destroyed. The result has not been only to preclude completion of the road to Prince George, but to make impossible a present

"profitable operation of the road as constructed and to postpone indefinitely the entry into, and opening up of, the Peace River country.

The present total investment of the province in this railway including interest is \$78,000,000. (See Hon. John Hart, Budget Speech, November 10, 1937. His figures less interest compounded.) This total is made up as follows:"

In that respect, Mr. Hart's figures are higher than the figures which I have given. His estimate is based upon compounded interest and the figures which appear here are actual outgoing money and interest, set out, not compounded.

"Advances to the Railway as the result of borrowing	\$16,919,521.04
Advances to the Railway as the result from consolidated revenue	2,598,958.09
Interest advances from consolidated revenue for interest payments on guaranteed stock and bonds.	17,464,543.82
Interest payments for sundry loans	20,054,482.76
Discounts in connection with the sale of debentures	612,071.53
Amount of guaranteed obligations	20,160,000.00
<hr/>	
Total Investment of Province in P.G.E.	<u>\$77,809,577.24</u>

In 1926 there was an operating loss of \$275,000.

There has been an improvement every year since.
 year since
 In 1932 the operating loss was \$68,000.

In 1933 there was a net operating profit of 115,000.

In 1937 there was a net operating profit of 63,000."

THE CHAIRMAN: How about Maintenance?

HON. MR. PATTULLO: Some of the bridges had to be renewed, and that was done partially out of capital and partially out of the profit of the railway, but ordinary maintenance was out of profits.

HON. MR. FARRIS: I will continue to read at page 36 of the Brief of Argument:

"These figures reflect the increased development of the area served and particularly the benefit derived by the railway from the gold-mining industry of the Cariboo and Bridge River Districts.

During the War the Dominion Government established a policy of acquiring certain smaller railways under the authority of the Branch Line Act, 1915, Chapter 16. As a result of this policy the Dominion has taken over a number of railways, as appears in the following table:--"

I will not read the table. The amounts are, of course, very much less than the ones which we have dealt with.

"The total Dominion investment in all Railways and Rolling Stock as of March 31, 1934, was \$1,205,000,00

It is submitted that it is in the interests of Canada that this railway should be completed to Prince George and from there northward, so as to give a Pacific outlet through the Ports of Prince Rupert and Vancouver to the Peace River Country. It is submitted that the Pacific Great Eastern Railway and the proposed extensions should form part of the Canadian National Railway or should be operated under

"the joint control of the Canadian National and the Canadian Pacific Railway Companies.

It is submitted that there is an obligation on the part of the Dominion to give effect to these proposals for the following reasons:--

One: It is in accordance with the policy of the Dominion already in force in other parts of Canada by which large sums have been invested for the construction and operation of branch lines, main lines, and canals.

Two: It is the only possible solution of the problem of the Pacific Great Eastern.

Three: It is the only way to have the road extended into the Peace River.

Four: The completion and extension of the road will increase its earning capacity and will serve as a valuable feeder to the Canadian National.

Five: It will provide a necessary outlet to the Pacific for the Peace River. This in turn will open up a valuable portion of the Dominion for agricultural settlement and industrial development, which will be for the general advantage of Canada.

Six: The national system can operate the road as part of its organization more effectively and economically than is possible under existing conditions.

Seven: It will give some measure of relief to British Columbia to mitigate the unfair disadvantages under which she has suffered.

Eight: There is a direct obligation on the Dominion because the railway policy of Canada has destroyed the traffic arrangement which was the basic condition

"on which the enterprise was undertaken."

COMMISSIONER DAFOE: Senator Farris, this is a case where two private companies made a deal, the one with the other.

HON. MR. FARRIS: You are referring now, to which agreement?

COMMISSIONER DAFOE: The Grand Trunk Pacific, and the P.G.E; they were private companies, really. Then, they both got into difficulties, and one had to be taken over by the Dominion government, while the other was taken over by the province. The Dominion government had to also take over the Canadian Northern. It was forced to do this to get a connection with Vancouver. I find it difficult to see that there is a question of obligation as between the Dominion and provincial governments under these circumstances, an obligation which would come within the scope of this Commission. There may be a very good business argument for this, that is an aspect which is set forth in the argument, in the summation. If there is a good business argument, if it is desirable or profitable, then on that basis it could be presented, presumably. but the presentation which is given as an obligation of the government--I am not convinced there is an obligation on that basis. I do not think we should compel the Dominion government to do something which, from a business standpoint, it may not find economical or profitable, from the Dominion viewpoint.

HON. MR. FARRIS: It is not suggested that it is a legal obligation or an enforceable obligation. What is meant by that statement, and, I think with deference it has some force for consideration by the Commission, is

that these were more than private agreements. They were, simultaneously with the assumption of the obligation of the \$35,000 a mile by this province, those agreements were incorporated in a schedule in the statutes. They were given statutory force, at that time. There is no doubt that the agreement between the Grand Trunk and Foley, Welch and Stewart, that that agreement had a basic relationship to the act of the province in guaranteeing those bonds. It is to this extent that these agreements are more than private arrangements between two parties. Also, there is this consideration; one can hardly say that the Grand Trunk Pacific was a private road in the full sense of the word. I have rather distinct memories of making speeches such as, "Let Laurier finish his work."

We start with the fact that both of these enterprises were public enterprises in the full sense of the word, one a federal and the other a provincial enterprise. In the working out of these schemes, as they had to be worked out by the two governments, the Dominion took action which destroyed the effect and benefit of something which had been existing and which was one of the basis reasons which justified the provincial enterprise. I do not say, in any legal sense of the word, that that creates an obligation, nor in any moral sense, only in a public sense. Under these circumstances, the Dominion was forced to control a greater scheme and in the control of the greater scheme it had to put its foot on the smaller scheme. The Dominion government should, in the common interest of Canada, pick this little fellow up who has been stepped upon and fit him into the larger scheme for the general benefit of

Canada. It is on that basis that I would say there is a general obligation.

THE CHAIRMAN: What is the road worth to-day?

HON. MR. PATTULLO: Might I say, it has been offered at the replacement value. I would say the replacement value offhand, would probably be \$35,000,000.00 or \$40,000,000.00.

THE CHAIRMAN: That is the replacement value less depreciation?

HON. MR. PATTULLO: So far as depreciation is concerned, the road is in, I think, better condition than it ever was. Practically all of the bridges are new, and it is in wonderful condition.

THE CHAIRMAN: Is this not a question of public policy for the Dominion government? Is it not a question like one of those which the premier mentioned which this province is taking up or may take up with the Dominion in seeking a solution? How does it fall within the scope of this Commission?

HON. MR. FARRIS: It falls within the scope of the Commission as being, at least partially, an answer to the question I have been asked many times, that is, "What can the Dominion, assuming you have a grievance, do for you?"

THE CHAIRMAN: You want them to take this road over in lieu of the \$750,000.00 additional subsidy?

HON. MR. FARRIS: Oh, no, we do not want that.

COMMISSIONER DAFOE: What we have we will hold, is that it?

HON. MR. FARRIS: In relation to the \$750,000.00, the

only question about that is how much more it should be.

THE CHAIRMAN: We have to consider whether you have made out a case for that grant, or more or less, whatever it is. However, this is a different proposition.

JHON. MR. FARRIS: Oh, yes, and intended to be entirely separate from that.

THE CHAIRMAN: It seems to me it is difficult to bring that within the scope of this Commission; it is something like the timber.

HON. MR. PATTULLO: Might I interject, there; when I brought it to the attention of the provincial conference, I remember distinctly that I told the Rt. Hon. Mr. Bennett that I never expected to be a president of a railroad. I also interjected that I never desired to be premier of British Columbia, but it was obviously necessary in the interests of good government.

THE CHAIRMAN: Also a King's Council, I suppose?

HON. MR. PATTULLO: Yes, also a King's Council.

THE CHAIRMAN: Dr. Carrothers.

DR. W.A. CARROTHERS, Chairman of the Economic Council:

Mr. Chairman, first of all I might say a word with regard to this section of the brief, that what we had in mind in preparing this was, as far as possible, to anticipate the type of questions that would be in the mind of the Commission with regard to the position of British Columbia in the Canadian Confederation; And secondly, there is a great deal of information in this that has not been read, and naturally, would not be read in your session. A good deal of it, also, we had in mind not only the session of the Commission, but your staff at work in Ottawa. In order to facilitate reference to this part of the brief we have prepared a table of contents, and a list of tables, and so on, as well as an index. Throughout the work, also, we have endeavored as far as possible to disclose the methods that were used in any calculations we made, because we felt that that also would facilitate your work and the work of your staff in making use of the facts.

THE CHAIRMAN: As to the index, I have not got that far in it yet. I did not know it was there.

DR. CARROTHERS: I do not know how effective it is, but we have endeavored to compose it in such a way^{that}/it would assist you in referring to the work.

Now, first of all, it was suggested that I should summarize the information that is contained in this part of the brief with regard to the problem of transients and migration of people from other parts of Canada to this province. You will find that dealt with, sir, commencing on page 64, in the section entitled "Migration from Prairie Provinces". It is short, and I think I should read it just as it is there.

"To estimate immigration from the Prairie Provinces to British Columbia has been extremely difficult. A study of the census figures of June 1, 1931, to June 1, 1936, for the Prairie Provinces would indicate that there was a net movement from these Provinces to other parts of Canada during the five-year period of 94,501 (Table 33)"

That was the net movement out of the Prairie Provinces in those years.

"An examination of the conditions of this movement would indicate that probably 60 per cent of this number came to British Columbia, and 40 per cent to other parts of Canada. This would mean an addition to the population of British Columbia from this source of 56,700". That is up to June 1st, 1936.

"In order to estimate the movement from the Prairie Provinces to British Columbia since the census date, June 1, 1936, information has been secured with regard to the number of motor vehicles previously registered in the Prairie Provinces and which have been re-registered in British Columbia since that time; which shows from June 1 to December 31, 1936, 150 from Manitoba, 596 from Saskatchewan, and 700 from Alberta. From January 1, 1936, to November 30th, 1937, (which is the date at which this compilation was made) the number of first registrations from these Provinces was 291 from Manitoba, 1,035 from Saskatchewan, and 1,061 from Alberta.

"Thus, from June 1, 1936, to November 30, 1937, the total number of car re-registrations from the Prairie Provinces was 3,833. There is no record of the actual number of occupants of these cars, but it is reasonable to assume an average of five. On the

basis of this assumption the total number reporting to British Columbia by this means would be approximately 19,000. The average number of persons per car operating in the three Prairie Provinces would probably be about eight. The movement of that part of the population not owning cars would probably be less, but it is not unreasonable to assume that 8,000 would move by rail. Thus, it is likely that somewhere in the neighbourhood of 27,000 persons moved from the Prairies to British Columbia since the last Prairie Census. By adding to this the number calculated to have migrated between the 1931 and 1936 census amounting to 56,700 it is estimated that the total migration to British Columbia since 1931 has been approximately 83,700.

While this is a crude estimate, it is not unlikely that it gives a reasonable picture of the actual movement of people from the Prairie Provinces into British Columbia since 1931."

That deals, sir, with the general movement. Then, dealing with the condition of these people ---

THE CHAIRMAN: Doctor, what is the total increase in population in British Columbia? You have not the census, but what is your estimated increase?

DR. CARROTHERS: We estimated it at the 31st of December, 1936. The population was 780,000, and this number would have to be added, which brings it well over 800,000 at the present time. 780,000 at the end of 1936, plus the figure which I have just given you.

Then, turning to page 132, you will find reference there to the condition of some of these people who have moved into this province, - the section entitled "Indigence of Transients in Public Institutions". That

has been dealt with in general terms, and here you have the statistics with regard to the number of persons in these institutions, who have come into the province, or have been in the province three years or less, - who have been confined in hospitals and industrial schools, jails, and so on, and in connection with the preventative work in the health department, which constitutes a considerable burden on this province. On page 133, the statement there is made that the migration was shown to have been chiefly from the provinces of Alberta and Saskatchewan. In the hospitals, for example, out of 445 patients who had come into the province within the last three years, 275 had come from these two provinces. And on that page there is a table showing the places from which these people came. I need not read that in detail.

On page 134, a little better than half way down the page, there is a paragraph which I will read:

"During the week of November 14-20, 1937, there was a total of 4,717 patients confined in hospitals and tuberculosis units in British Columbia. These institutions are distinguished from gaols and houses of correction in that the inmates are normally expected to pay for services rendered. Of the total number of inmates in these institutions at the above date 343 had resided in the Province three years or less. Of these 162 or 47.2 per cent were expected to pay in full or in substantial part, and 181 or 52.8 per cent were not expected to pay. This gives some indication of the additional burden placed on public institutions in this Province as the result of the migration of people from other provinces. As this study only covers those who have been three years in the Province, it can be

soon that this problem becomes immediate, and places a sudden strain on our institutions."

THE CHAIRMAN: What would be the total number of patients in these institutions at the time when you say "343 had resided in the province three years or less"?

DR. CARROTHERS: It is given there as 4,717.

Then we find a similar situation in other institutions. The information with regard to hospitals was secured by a special questionnaire or special survey, but the information in regard to mental institutions, home for the aged, neglected children under care, tuberculosis division out-patients, - there was a record in the Department of Provincial Secretary. Without going into detail, a similar situation was found with regard to these. On page 139, second paragraph:

"During the calendar year 1936, the latest period for which the information was available, 761 patients were admitted to mental hospitals in British Columbia. Forty-three patients in this group had resided three years or less in the Province at the date of their admittance, 24 of these being male and 19 female. The economic status of patients confined in mental institutions is defined in departmental records as: dependent, marginal, or comfortable; it was considered that these classifications correspond to some extent with the definitions used in the questionnaire survey which were: not able to pay, doubtful, or able to pay. Accordingly, as the following table indicates, only one of the 43 patients concerned could be classed definitely as able to pay. 27 could be considered doubtful, and the remaining 15 would probably not be able to pay either in full or in part. Residence was unknown for 176 patients."

We have no information with regard to the 176 patients whose residence was unknown.

THE CHAIRMAN: Take these patients where the residence was known, how far did they come from, - from Alberta and Saskatchewan?

DR. CARROTHERS: That is not given specially for the mental hospitals; there is no segregation. I presume we could get that for you.

THE CHAIRMAN: I just wondered if you had it.

DR. CARROTHERS: No, it is just a general statement in the table.

Then, the next statement, dealing with tuberculosis control, shows that:

"At December 31, 1937, there were 1,419 patients on record in the Division of Tuberculosis Control who had been reported during the year 1937. Of this number, 92 had resided in the Province three years or less."

That group is analyzed in the following paragraph.

In regard to neglected children under care, the total number last year was 389. Information regarding the length of residence of these is meagre. Then, the summary:

"From this analysis it can be seen that of those having residence of three years or less in the Province who are inmates of our hospitals and other institutions where payment is expected for services rendered, that 52.8 per cent were, in November, 1937, either actually public charges or likely to become such. The questionnaire also shows in gaols, prison farms, and industrial schools which are a responsibility of the Provincial Government, a total population at the same date of 686, and of this total 97 had resided in the Province three years or less .

The analysis shows further that during the calendar year 1936 alone, out of the total population of 761 admitted to mental hospitals in this Province during that year, 43 had resided three years or less in the Province."

I might say, sir, it is extremely difficult to get complete information. We did the best we could, and this is the result of that. Then, we went into the question of the additional cost to the province of providing educational facilities, and a special survey was made of what is known as the "Matsqui-Sumas-Abbotsford educational area." It is under one administration and in that area there are three high schools, and sixteen elementary schools. In December, 1937, the total number of pupils was 1,694, and of that number, 246 had arrived in the area from the Prairie Provinces in the last three years; and in addition, there had arrived - this is an estimate, of course, - but in addition to the families of these 246, there were 600 other families, arrived in that area in that period, who did not have children of school age.

We have additional information secured with regard to the Langley school district and the Surrey school district, which shows a similar situation. In the Langley school district, 221 children came into that district during the last three years, and in the Surrey municipality, 359; out of a total school population in the Langley instance, of 1457, and the Surrey district, 2382.

Dr. Weir, who is Minister of Education, has just handed me information which came in this morning with regard to the total enrollment in the Fraser Valley area, and the increase in the last three years of school population has been over 18%, and it is estimated that

75% of this increase is due to the movement of families from the Prairie Provinces.

THE CHAIRMAN: Take the families coming into the Fraser Valley; they are settling on farms, are they not?

HON. DR. WEIR: The tendency is for many of them to buy a small piece of property, possibly for \$500 or \$600, and then to qualify for relief, - in from six months to a year they generally apply for relief. A number of them come into British Columbia, in the expectation of waiting here at all odds; that is, we have offered to pay the cost of transportation back to the Prairie Provinces, from which they came, particularly to Alberta or Saskatchewan, but they absolutely refuse to go, they just stick right here.

THE CHAIRMAN: Thank you.

DR. CARROTHERS: We will take now, sir, if there is no further question on that, the section of the brief dealing with Dominion policy and provincial economy, which is part 6, page 273. I might say in general with regard to this part of the brief that it is the result of an attempt to make a more or less concrete statement of the actual effect of the National Policy of the Dominion in tariff respects on the economy of British Columbia. It is not the intention to criticize that policy; from the national point of view it may be a good policy, and it may not be, - that is not the point at issue. It is simply an attempt to show what has been the effect of that policy on the economy of British Columbia. One of the great difficulties which we had in attempting this study, was to get data which we could analyze in order to get results that would be reliable. As mentioned on page 273 the Dominion Bureau of Statistics does not supply information with regard to trade of the provinces and various other matters of that kind, which would be very useful to us.

There is a quotation there from the Duncan Report, which recommended that the Dominion Bureau should supply a greater amount of information with regard to Interprovincial economy relations. I understand, sir, that has been under discussion and that at least the possibility of giving more detailed information with regard to shipments by rail which might be used, - I do not know how far that has gone.

THE CHAIRMAN: How could you keep track of shipments by motor truck?

DR. CARROTHERS: It would be extremely difficult, sir.

THE CHAIRMAN: It is becoming an important method of transportation. It seems to me to be impossible to get statistics of interprovincial trade.

DR. CARROTHERS: It is extremely difficult, but it is a matter that should be given consideration if we are to understand the problems of the different economic areas in Canada. Reading from the brief, with regard to the trade of British Columbia :

"The available information is, in the main, found in the Canadian Trade Reports, which deal only with Canada as a whole".

I will not read that in detail; it just gives an account of the method we use in securing information with regard to imports. Our method in general was to take what was known, as far as that was possible, put that together, and then estimate the indication in the most reasonable way. We did that from an estimate of the retail trade in Canada, as prepared by the Dominion Bureau of Statistics, and we circularized business houses throughout the province, of various kinds, with regard to the percentage of their goods which they bought in Eastern Canada and elsewhere. You will find that result at the top of page 275. These trading houses in British Columbia, the

purchase in Eastern Canada was 80%, in the United Kingdom 7.5, in the United States 2.5, other Empire countries .5, other foreign countries 2%, and within British Columbia 7.5%.

Then, with regard to exports from British Columbia, we had less difficulty, - there was less need to make an estimate. Take the second paragraph of that section, we secured the information there from the Provincial Department of Agriculture with regard to the export of apples and wool; from the Dominion Bureau of Statistics we got information in regard to coal; and we used the records of the Vancouver Harbour Board, the New Westminster Harbour Commission and the British Columbia Lumber and Shingle Manufacturers Association, the Pacific Lumber Inspection Bureau, and so on. Now, you will find the results of that in tables 130 and 131. Table 130 shows that in the year 1935 approximately \$66,000,000 worth of goods were imported into British Columbia from other Canadian Provinces, and \$25,000,000 exported, or a total trade of approximately \$91,000,000. Imports from the British Empire, excluding Canada, amounted to approximately \$14,000,000 while exports to British Empire countries amounted to approximately \$35,000,000, or a total trade of \$49,000,000. Imports from foreign countries amounted to \$15,000,000, and exports to \$50,000,000, or a total trade of \$65,000,000. This table shows an approximate balance of trade indicating that in 1935 total imports amounted to \$96,000,000 and total exports to \$110,000,000, leaving a favourable balance of \$14,000,000. Taking the internal trade of British Columbia with other parts of Canada, imports amounted to \$66,000,000, exports to \$25,000,000, leaving an approximate adverse balance of \$41,000,000. These figures indicate the character of the

trade of British Columbia, showing clearly that the trade of the Province is mainly in two distinct markets: (1) External, subject to all factors of world competition and world conditions, generally; and (2) Internal, subject to the effects of the national trade and tariff, and monetary, policy of Canada; that is, British Columbia buys in a protected market and sells in an unprotected market.

Now, sir, following that study the question arose as to what was the actual effect on the people of British Columbia, in this market condition, - the effect of buying in one market and selling in another, - buying under one set of conditions and selling under another set of conditions. So that in order to find that out we made a study, which is here entitled "The Terms of Trade", based on the real exchange of service for service and goods for goods:

"Having secured a reasonable picture of the trade position of British Columbia, an attempt was then made to estimate the economic effect on the people of this Province of the trade situation. In order to do this, a study was made of the real terms of trade of British Columbia in its two markets, internal and external, that is, an evaluation was made on the basis of barter or real exchange of goods for goods or values for values. This analysis is particularly important to an understanding of the position of British Columbia, because it is with the dollars secured from its foreign trade that British Columbia pays for the goods imported from Eastern Canada. The real effort employed and work done by the people of British Columbia in securing these dollars must be measured against the real values obtained from Eastern

Canada. A study of this exchange of values indicates that the people of British Columbia lose because of the trading situation in which this Province is placed by the national policy.

This situation not only causes an immediate loss to the people of British Columbia, but has an indirect effect on the economic activity of the Province. Internal adjustments have to be made to meet the unequal situation which tends to restrict economic enterprise. The situation becomes very clear in a period of falling prices. In contrast to the behaviour of British Columbia export prices, the manufactured commodities of Eastern Canada tend to resist falling prices. There are several factors which make this resistance possible, but the dominating factor is that these products are sold largely on the protected home market and therefore are not directly exposed to the pressure of world competition. This makes possible a degree of control of production, and consequently of prices, which is impossible to British Columbia exporters.

This study of the terms of trade between Eastern Canada and British Columbia was designed to show the effect which this trade situation has had on the relative purchasing power of the people of British Columbia. As the main trade of British Columbia with Eastern Canada is with the provinces of Ontario and Quebec these provinces were taken as the basis of comparison. The position in which British Columbia finds itself is that in order to secure purchasing power with which to purchase goods from Eastern Canada its products must be sold to other countries. Consequently, factors entirely outside the national

policy of Canada affect the purchasing power of British Columbia. The objective in this study has been as far as possible to measure the effect of these external factors on this purchasing power of British Columbia. To do this it was necessary to bring the trade position of British Columbia into a direct barter relation with the trade position of Ontario and Quebec, from which British Columbia purchases the major portion of its consumption of manufactured goods and which constitute a definite and different economic area, by establishing comparable indexes of prices for British Columbia and for Ontario and Quebec."

Following that is a description of the method used, which is not necessary to read unless you wish me to do so. At the top of page 281 you will find the commodities listed there which were used - the prices of those commodities were taken and an index of that was constructed. Table 133 will give information as to how that was done. We constructed the index on the basis of the actual quantities of these commodities so that the quantity as well as the price would appear there. Those commodities mentioned at the top of page 281 are for British Columbia.

Then for imported products, you will find the list on the top of page 282, the same thing was done there, - quantities and the prices were combined in the index.

Now, the chart at the bottom of page 283, chart 3, gives a graphic picture of the situation. That graph is an index of the barter terms of trade between British Columbia and the Provinces of Ontario and Quebec, Ontario and Quebec being, of course, 100; the line during the period from 1926 to 1935 indicates the inferior position

or disadvantageous position, of British Columbia in relation to the market situation. Turning to page 284;

"An attempt was made to push this analysis farther back and to include a longer period of time. Because of the impossibility of securing comparable data these studies had to be separate, but the results would indicate that this situation has prevailed at least since before the Great War, with the exception of the years 1915 and 1916, when, owing to war conditions British Columbia was receiving a high price for her exports."

I think it is reasonable to assume the condition existed before that. That paragraph merely refers to the studies which we actually made.

Table 135 gives you in terms of figures the position as illustrated in the graph to which I have referred showing that in relation to the situation in 1926, 1926 being 100, we go down for example, to 71.42 in 1933.

Then, dealing with the question of the effect of this on economic activity in British Columbia, reading from the second paragraph on page 284 :

Further to this study an attempt was made to estimate the economic effects of this situation on British Columbia. In order to do this the volume of trade was studied, and an index of railway freight unloadings was developed as the only material available to determine this. An index of actual tonnage based on the summary of monthly traffic reports of the Dominion Bureau of Statistics was prepared (Table 136)

Chart IV shows the relation of the railway tonnage as a measurement of the volume of trade to the terms of trade between British Columbia and Eastern Canada, 1926 to 1935."

That chart 4 is found on page 285.

THE CHAIRMAN: What do you say that chart indicates?

DR. CARROTHERS: The relation between the railway tonnage, measuring the volume of trade, and the terms of trade between British Columbia and Eastern Canada. You will see in those lines there is a great similarity, - a great similarity in the form of those lines, which would indicate at least the possibility of connection between those two things, - the conditions of trade and the quantity of trade, or the amount of railway tonnage as indicating the volume of trade or economic activity in the Province.

- THE CHAIRMAN: You have not made any comparative study to find if the economic activity in the other provinces ran along similar lines?

DR. CARROTHERS: Yes, we did the same in Eastern Canada, and that is shown here. Reading at the bottom of page 284:

"As British Columbia is to such a large extent dependent on foreign export trade, it was assumed that there would likely be a definite relationship between the trend of general economic activity in the Province and the trend of foreign trade. To determine the validity of this assumption an index of economic activity in British Columbia was constructed, using three factors:

1. Employment, using the Dominion Bureau of Statistics index of employment in British Columbia, 1926 being the base year;
2. Bank debits to individual accounts in British Columbia.
3. Index of car-loadings for the Western Division, 1926 = 100, published by the Dominion Bureau of Statistics.

These factors were weighted, on the basis of their importance as follows: employment, 1; bank debits, 2; car loadings, 1. The results obtained from this analysis are shown in Chart V."

Chart V is shown on page 286.

"From this it is clear that economic activity in British Columbia is in a very large measure influenced by export conditions."

There again you can see the similarity in the curves; the upper curve being the index of economic activity in British Columbia, and the lower one, an index of prices of our exported commodities.

"In order to make a comparison with Ontario and Quebec, which constitute a definite economic area different in character from British Columbia, a similar analysis of the economic activity of this area was made. A price index was constructed covering the principal commodities exported from this area and sold on world markets. (See Table 137) Export price indexes were taken from the Dominion Bureau of Statistics, 1926 being the base year. In Chart VI, the index of export prices from this area, also an index of economic activity, are shown, together with the price index of British Columbia imports from this area (Table 138)".

If you turn to chart 6, which is found on page 287, you will find the situation in Ontario and Quebec in relation to the export market outlined there, and you will notice a dissimilarity there in the curves. Whereas in British Columbia, the curves are similar, here there is no similarity whatsoever.

"This shows the relation between the export market situation in Ontario and Quebec, and the economic activity in those Provinces. In contrast to British

Columbia there is no visible relationship between export prices and economic activity. The reason is that in this particular economic area other factors are more important in relation to economic activity than export prices. The main factor is the large protected internal market which is enjoyed by Ontario and Quebec."

Then in chart 7, which you will find on page 288, a comparison is made between the economic activity of British Columbia and of Ontario and Quebec, the economic activity of British Columbia being expressed as a percentage of the economic activity of Ontario and Quebec. There again you can see the inferior position of British Columbia in this respect, the irregular line showing the economic activity of British Columbia as a percentage in relation to that of Ontario and Quebec. I might mention there, that for statistical reasons it was necessary to assume that conditions were equal.

"It is certain, however, that even in 1926 British Columbia was in an unfavourable position, so that the actual position of British Columbia has been, and is, more unfavourable than that actually shown in these Charts.

Under the present trade policy of Canada, British Columbia tends to have an unfavourable barter position with Eastern Canada. Regardless of the present roundabout method by which British Columbia's purchases in Eastern Canada are financed, ultimately the people of British Columbia exchange their fish, lumber, minerals, fruits, etc., for boots, clothes, furniture, automobiles, machinery, etc., purchased from Eastern Canada. The unfavourable trade position leads to a curtailment of purchases in Eastern Canada.

In addition, the decline in economic activity in British Columbia, consequent upon diminishing export values, has placed a strain upon the economy of British Columbia. All overhead charges, such as public, business, and private debts, have become proportionately harder to carry. Additional burdens have been placed on the government in taking care of the increased number of unemployed. All fixed charges of any nature whatsoever have become harder to bear.

The disadvantageous trade position of British Columbia is not the result of the depression. It has been demonstrated that it existed before the depression, and it is indicated that it has prevailed over a long period of time. Nor is it due to the relatively greater fall in the prices of primary products during the depression as compared with manufactured products. This latter is a separate phenomenon, and undoubtedly has been a factor in increasing the economic difficulties of this Province. The disadvantage, however, based on the terms of trade has existed regardless of the relative movement of prices of different commodities. It is based essentially on the fact that British Columbia trades in two markets which are different in character, one protected and the other unprotected. The disadvantage exists regardless of other factors affecting the prices of individual commodities and is due to the national trade and tariff policy of Canada. In other words, the people of British Columbia have to exert greater effort and do more work in order to create exchange values to pay for the manufactured goods from Eastern Canada than would be the case if they were free to purchase these goods in the markets in which they sell.

It may also be pointed out that by the favourable balance of trade of the Province with foreign countries producers in British Columbia are creating foreign exchange under disadvantageous conditions, which becomes available to Canada as a whole in meeting its foreign obligations.

Another result of the national policy is that there is a tendency for the head offices of large business and financial institutions to be located in Eastern Canadian centres. There may have been natural reasons for this in the earlier development of Canada, but the influence of tariff policy has been to perpetuate this concentration. This means that profits earned in British Columbia flow to the East, and in circulating there, create additional employment. Additional direct employment is given in these offices themselves. In this way the people of British Columbia are creating employment for residents of Ontario and Quebec.

THE CHAIRMAN: What about the effect of the power sources there, - so close to the American source of steel and iron? Are those not natural advantages that exist, quite independent of any tariff policy?

DR. CARROTHERS: You mean in Ontario and Quebec?

THE CHAIRMAN: Yes.

DR. CARROTHERS: Undoubtedly the presence of power there is a factor in the development of industry, and it is a factor here in British Columbia. Take our power in the Kootenay; of course, you have your population there, - you had your population originally. What I have said there is the tendency is for the tariff to perpetrate the natural condition.

THE CHAIRMAN: If there had been no tariff at all,

or a very low tariff, if industries could have existed they would naturally locate themselves adjacent to the source of power and raw materials. Those are natural advantages which Ontario and Quebec possess in respect to those matters, and you possess natural advantages in respect to other matters.

DR. CARROTHERS: Yes, sir.

COMMISSIONER MacKAY: Dr. Carrothers, is it possible to isolate the effects of the tariff policy from the effects of geography,-- distance? Put it another way: What about prices in, let us say, the State of Washington and the prices in, say, Ohio? would they not show much the same relationship as prices in British Columbia do to the prices in Central Canada?

DR. CARROTHERS: You have a very similar situation there, Mr. MacKay, because Washington and Oregon, with regard to the United States, are in a very similar situation to us, so that you will find the same set of conditions. As a matter of fact, Oregon made a study, following the methods we used here, of conditions in Oregon, and found not exactly the same situation, but a similar situation. The point though is, Mr. Chairman, not so much the actual features^{of} the tariff there, but it is the fact we are practically compelled, or it is to our advantage to buy in Eastern Canada, because owing to the tariff it is the cheapest place we can buy. If we import these commodities we pay more, but it is the tariff that makes it necessary, and we have to pay a higher price than we would pay if we were free to buy in the market in which we sell.

THE CHAIRMAN: Have you made any comparisons of prices in British Columbia and Oregon?

DR. CARROTHERS: Well, in general terms, but not a detailed comparison. Of course, our prices on most

commodities - that is protected commodities, - is much higher than in Washington and Oregon. You would have to take a selected list of commodities there to make a proper comparison. A comparison was made on the prices of agricultural machinery for example,- That study was made for the Ottawa House Committee which dealt with that,-and the difference in the price of automobiles. That is well known to everybody, - a much higher price in British Columbia.

COMMISSIONER DAFOE: Of course, your representation, Dr.Carrothers, only differs in particulars and in emphasis to representations which have been made in every capital in which we have taken submissions. We have heard now for the fifth time that the areas represented in their submissions have to sell in the cheapest market and buy in a protected market.

DR.CARROTHERS: Well, that is quite true.

COMMISSIONER DAFOE: So that it looks as though the National Policy is detrimental, on a territorial basis, to a very large area of Canada.

DR.CARROTHERS: I think that is quite true, but you will find, of course, a different story when you sit in Ontario and Quebec.

THE CHAIRMAN: When it comes to elections, they vote in favor of it.

DR.CARROTHERS: Senator Farris already made some remarks on that yesterday. I need not repeat that. It is possible,however, that certain parts of the Prairie Provinces are in an even worse position than we are as far as market is concerned;- I think Saskatchewan particularly, where you have one export commodity, and the community depending on that: They have not analyzed their situation the same way we have here. We did this

in order to make it as concrete as possible so that there would be no question of argument about it. Here is an analysis which has stood the test of criticism. And in that connection, I have here copies of the original study on which this was based. I do not think we should file this.

THE CHAIRMAN: You can make them available to our experts to check, if you wish.

DR. CARROTHERS: Yes, we do not wish to put them on the record, but I have a copy of our last trade report and some other documents that will be available to your staff.

Now, the next section deals with the problems of transportation, and it is entitled "The Artificial and Arbitrary Costs of Transportation." I might say, briefly, sir, that the argument is that, owing to the freight structure of the Canadian Railway system, there is a cost to the consumers, the people of British Columbia, over and above the cost which is based on our geographical position. That is, we naturally have to pay higher freight on goods coming in here from Eastern Canada because of the distance, but in addition to that, the fact that the Canadian Railway Freight Rate structure is based on the principle of what the traffic will bear, works a hardship upon British Columbia because of our economy here, being a primary producing area.

"One of the most important indirect effects of the national policy has been that on the movement of commodities within the Dominion".

The point there being we are compelled, because of tariff conditions, to buy in the East. We have to pay the high freight rates, and in addition, an artificial and arbitrary cost.

"Because of the tariff British Columbia consumers found their cheapest source of supply to be in Eastern Canada; consequently, there is a commodity movement of relatively high value westward which may proceed by rail or by water. These manufactured commodities, since they are of relatively high value, can and do bear relatively high freight rates. On the other hand, Eastern Canada draws from British Columbia for certain of its requirements for lumber, canned salmon, and other primary and semi-manufactured products. The commodities supplied by British Columbia are of relatively low value and can bear relatively low freight rates. This general situation is true whether the goods move by rail or by water."

Table 139 shows the net inward movement of goods, on page 290. Of course, you have to study not only the actual figures there, but their character, and I would draw your attention to column 4 in that table, which deals with wheat, oats, barley, rye, and flour, which are merely shipped through British Columbia, and column 3 gives you the net inward movement.

THE CHAIRMAN: The total freight terminated in British Columbia is both for the domestic consumption and for export?

DR. CARROTHERS: Yes, and then you would need to extract column 4; that would give you the domestic.

THE CHAIRMAN: You have "net inward movement into British Columbia". What does that mean?

DR. CARROTHERS: That is taking the movement of goods out, - subtract that from the movement of goods into the province.

"In Table 140 a comparison is made of the water-borne movement at the Ports of Vancouver and New

Westminster during the years 1927 to 1936. Through these two ports the great bulk of British Columbia's foreign trade moves. The table compares the total deep-sea tonnage moving inward with the tonnage moving outward and indicates that there has been an average net outward movement of 2,264,414 tons. Local coastwise shipping has been excluded from this table. This indicates a considerable volume of shipping entering British Columbia ports in ballast. The commodities exported from British Columbia in these ships must bear the total two-way cost. In this we have another instance of a disadvantage to British Columbia through buying in an internal market and selling in an external one. If British Columbia consumers bought in the markets in which they sell they would be able to secure more favorable freight rates on their exports".

THE CHAIRMAN: I want to make sure I am following you. In comparing the two tables I find the total freight terminated in British Columbia in 1930 was \$7,370,747. The tonnage of 2,260,000,--that was delivered to foreign countries.

DR.CARROTHERS: Yes.

THE CHAIRMAN: And the freight outward that year was 3,278,000?

DR.CARROTHERS: That is tonnage of ships; it is not the freight.

THE CHAIRMAN: Oh yes, I beg your pardon.

DR.CARROTHERS: Well then, on page 291:

"In this submission the problem is presented in three sections. In Section one is discussed certain aspects of the railway rate structure dealing in particular with the contention that rates established

on the principle of charging what the traffic will bear, do under the circumstances impose an undue burden on British Columbia consumers."

THE CHAIRMAN: Doctor, what conclusion do you draw from this whole matter? Assume that to be so, then what is your conclusion, - what is your deduction? How do you apply it to the Dominion-Provincial relations.

DR. CARROTHERS: Well, the purpose here is to show in as concrete form as possible the position, - or what it is costing the people of this province to be in the Canadian Confederation. As I said at the beginning, we are not suggesting these policies are wrong; that is a matter for discussion elsewhere. But we do suggest that being in the Canadian Confederation costs British Columbia something.

THE CHAIRMAN: Then, what do you say you should get in return? That is what is before me.

DR. CARROTHERS: Well, the counsel for the Government and the Premier will answer that, sir.

THE CHAIRMAN: All freight rates were made the same in the other provinces too.

DR. CARROTHERS: Yes, but the thought in mind is that because of our distance from the source of supply of our commodities there is a particular hardship on British Columbia. We direct our remarks with regard to the freight rate structure as a whole because it is most unscientific.

THE CHAIRMAN: That is a question for the Board of Railway Commissioners.

DR. CARROTHERS: Yes. We have not dealt with that at all here. We are simply dealing with the economic effects which, I think, is properly before your Commission, sir.

THE CHAIRMAN: The economic effects of national

policies come within the scope of this investigation.

DR. CARROTHERS: The object was to make calculations which would give some concreteness to these things. It is more or less like the pot calling the kettle black, but we are attempting here to break it down in as concrete a way as possible. I may say our calculations are available to your staff, anything they want to find out as to how we arrive at those conclusions, we would be very glad indeed to assist in every way we can, because we are anxious to know whether we are right. Our calculations have stood up under criticism so far, and I think it is important to know whether they are valid. We believe them to be, and we present them to you in that way.

THE CHAIRMAN: We will adjourn until 2:30.

(Page 5181 follows)

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

DR. CARROTHERS: Continuing, sir, at Page 291, a good deal of the matter in the following pages is of a highly technical nature and it is not my intention to read it, more particularly, so that the Commission staff could go through it, and I will deal more particularly just with the conclusions rather than with the statistical argument.

THE CHAIRMAN: Yes, that will be more helpful because we will be able to appreciate the conclusions probably better than the technical part, and our experts will check over the technical part.

DR. CARROTHERS: Yes sir. At page 292, the paragraph at the middle of the page:

"British Columbia's shipments to Eastern Canada are of the type that require relatively low-freight rates to move them. On the other hand, British Columbia's imports are of a type that can and do bear a relatively high-freight charge. Therefore, consumers in other parts of Canada pay the relatively low-freight charges on shipments from British Columbia, but British Columbia consumers must pay the relatively high-freight charges on imports from Eastern Canada."

That statement of course is born out statistically.

Then, at the top of page 295:

"A comparison of the carload rates on west-going and east-going traffic definitely reveals that west-moving traffic tends to have higher carload rates than east-moving."

That is shown graphically on chart 9 on page 296. That chart really sums up the situation, showing the rates east and the rates west.

THE CHAIRMAN: How far do you get the benefit of ocean competition here, water competition?

DR. CARROTHERS: Well, that of course is limited by the character of the goods that travel by water, it takes several weeks, about six weeks shipment and then there is the question of financing the goods in transit, and so on, there are various charges there, and it is mostly goods that are bulky in relation to value and for which there is not an urgent demand, that travel by water from the East. But undoubtedly it is a factor and the element of potential competition is a factor there. And of course naturally the province is very much interested in legislation that is before the House at the present time in connection with the whole transport situation, particularly Part 5 of the Bill which it is considered here might deprive us of that competition.

THE CHAIRMAN: Is the effect of that water competition or potential water competition that you get a lower rate on your freight than do the people in Alberta?

DR. CARROTHERS: There is a tendency on the basis, as I mentioned this morning, on which the whole freight rate structure of Canada is set up of what the traffic will bear, and you have the situation that the freight rate on commodities say coming to the Coast will be less than to points in the interior of the province and I presume that is the same, although I have not made a study --

THE CHAIRMAN: That is not on the basis of what the traffic will bear but that is on a competitive basis.

DR. CARROTHERS: It is pretty much the same thing, sir, is it not? Because there is no competition to places like Kamloops, that enables the railway people to make that charge on the freight to those points.

THE CHAIRMAN: I know I have heard it said in Alberta

that you got a cheaper freight rate here in Vancouver than they did there.

DR. CARROTHERS: Yes, that is probably true, but it is certainly true that the interior points, Kamloops and Nelson, have to pay more there than they do in Vancouver.

Now, on Page 299, a paragraph there that I would like to read, just a small conclusion:

"The evidence thus far considered has largely confirmed the contention outlined in the opening paragraphs of this study. Consumers in Eastern Canada pay relatively lower freight charges on shipments from British Columbia, and British Columbia consumers must pay the relatively higher freight charges on imports from Eastern Canada. This situation, it has been shown, is a necessary consequence of the rate-making principle of charging what the traffic will bear."

The central point in this whole argument is, sir, that this principle of rate-making which is in operation in Canada is discriminatory when it is applied to a whole area. That is, when you have an economic area with different characteristics that then charging what the traffic will bear tends to discriminate against the area, because it is loaded against that area, so you have the principle --

THE CHAIRMAN: That is something, is it not Doctor, with which we have nothing to do? That is, whether it is discriminatory or not, in the sense of whether it is a suitable freight rate or not. We are only concerned with whatever application is made of that fact to provincial relations.

DR. CARROTHERS: Yes, I quite understand. The suggestion to the Commission is that these are things that should be

considered when you finally arrive at a judgment with regard to the position of this province in the Canadian Confederation.

THE CHAIRMAN: In this particular respect British Columbia does not differ in principle from the prairie provinces, they present the same considerations, and to some extent the Maritimes, although they have the special rate under the Duncan Commission.

DR. CARROTHERS: Not in principle, sir, but in fact because of our geographical situation it bears more hardly on us. That is the position we take there.

Then we pass over the statistical argument. There is a section there dealing with the water-borne traffic which shows that water-borne traffic has not the same characteristics as the traffic by rail. That is, there is not the difference, it is pretty much the same type of freight that moves east from British Columbia as moves West from the other side, so that that same problem does not arise there.

Page 311, I would like to emphasize there again, sir, the fact that so much of the tonnage to British Columbia ports comes in ballast and consequently our exports have to bear the full cost of that vessel coming in. I would like to read a paragraph there about one-third of the way down the page:

"Irrespective of the general level of ocean freight rates or of the numerous influences and factors which determine the general level of ocean freight rates, it is obvious that if it is necessary to bring vessels in ballast to British Columbia the cost of that service must be borne by the exporter. Thus the national trade and tariff policy restricts the possibility of utilizing the import space available and conversely compels the exporter to enter world

"markets with maximum ocean freight rates."

THE CHAIRMAN: Is that entirely correct? It may be, but this question just occurs to me: how far is your freight carried by vessels that come direct from a European port to Vancouver, and how far is it carried by vessels that carry freight to various ports, and may come out with a cargo and distribute it at various points in South America or North America before they reach Vancouver, and only have to come part of the way in ballast or come in ballast for a very short distance?

DR. CARROTHERS: That has not been segregated in that way. You are referring now to tramp boats that may call at an American port?

THE CHAIRMAN: Yes, say Norwegian boats. How far do they carry your freight?

DR. CARROTHERS: I have not got the information on that. Table 158 gives the vessels of British and Foreign nationality .

THE CHAIRMAN: What page is it?

DR. CARROTHERS: Page 309. But how far they have actually come in ballast we have not got that information. But the fact remains that whatever the distance would be British Columbia commodities would have to bear the charge of the two-way traffic.

THE CHAIRMAN: It might be for a short distance or it might be for a long distance, depending on whether they had any freight?

DR. CARROTHERS: Yes. 48.82 per cent. comes in ballast, but we have not got the information as to how far they have actually come.

Another point that we make there, sir, is that the freight rates in the British Columbia territory are higher than in other parts of Canada, that is within the territory.

At the bottom of page 311:

"Not only is there this discrimination based on the classification of commodities for freight rate purposes, but the actual freight rates imposed on similar commodities in British Columbia are higher than those imposed in Eastern Canada. An analysis of the average cost per ton mile between points equi-distant in the two areas reveals this clearly."

And there follows then an analysis on certain commodities, cement, paper, lumber, iron and steel and so on, where it is clearly shown that the rates paid are actually higher.

Then we discuss the question as to whether this is due to higher costs of operation.

"It is submitted that it is quite impossible for the railways to state clearly what are the actual costs of operation in British Columbia as compared with any other part of Canada."

THE CHAIRMAN: Of course all these questions have been thrashed out before the Board of Railway Commissioners on more than one occasion, Dr. Carrothers.

DR. CARROTHERS: Yes sir. Well, all we are asking, sir, is that these things should be considered because we believe, as I stated at the beginning of this discussion that the situation is especially discriminatory against British Columbia because of its geographical position.

On Page 314 there is a section dealing with what we speak of as "regional Protection". I would like to read that:

"Various attempts have been made to estimate the real burden of the tariff in concrete terms in Canada and elsewhere. To do this is a matter of extreme difficulty because of the number and variety of factors which affect the incidence of the tariff not

"only at a particular time but over a period of time. This estimate could be made with accuracy for limited periods of time and in relation to particular items. To estimate with accuracy in dollars and cents, the total burden of the tariff on the community over a period of time would seem to present almost insurmountable obstacles."

In order to get some indication of the different effects of the tariff in different areas we made a study of the commodities produced in British Columbia which have protection and those commodities which are sold under competitive conditions.

"An attempt has been made, however, to analyze production in Canada on the basis of whether the market for this production is artificially protected, protected partly naturally and partly artificially, naturally protected, or exposed. This has been done on the basis of the actual quantities of goods sold under those varying conditions.

Table 167 shows this estimate for each of the Provinces of Canada, and Table 168 gives similar information as a percentage of the total in each Province."

I would like to draw your attention, sir, to those Tables, Table 167 on page 316 and Table 168 on page 317. You will notice, looking at Table 168, which summarizes the thing, that if you take the percentage of the production in each province which has some protection, - and there I might explain that included in this is any commodity which has protection of any kind, that is it might be five per cent. or ten per cent. or twenty percent. but if it is protected at all, it is included in this table, - and you will see there the percentage of protected

production in each province ranges from 50.96 per cent. in Saskatchewan, 54.37 in British Columbia, and curiously enough Prince Edward Island would appear to have the largest portion of its production protected than any part of Canada. But it must be pointed out there, sir, that the degree to which that protection is taken advantage of does not appear there, if it is protected at all it appears in that table.

"The percentages showing the amount of production sold under exposed conditions give more definite information, as this production has been sold either in Canada or in foreign countries in competition with goods produced elsewhere."

It can be seen that British Columbia sold 45.63 per cent. of its total production under exposed conditions.

"Many of the commodities included as sold under protected conditions receive a comparatively small degree of protection, and in many cases the protection is merely nominal. It must also be kept in mind that the major part of production from our forests, mines, and fisheries must be sold on world markets under competitive conditions."

I may say we have been trying to carry that study a little further and apply the actual tariff rate to the production but that study is still under way and if we find it significant we would like to have the privilege of submitting it to you at a later date. That would be really necessary to complete that study, as you can see.

We have a section here dealing with monetary policy. That again I donot think it is necessary to read in full. The argument here is, it is not really an argument, it is an analysis of a particular period in the financial history

of Canada in the depression years when foreign exchanges were greatly disturbed, and we have simply analyzed what the Canadian government actually did in that period. I think we may say that the Canadian government did not have anything that might be called a monetary policy but it had to take action under particular circumstances and here we have analyzed the significance of that action, there again for British Columbia.

THE CHAIRMAN: I rather think the Prime Minister of Canada of that date would not accede to that proposition.

DR. CARROTHERS: Well probably one would have been more complimentary at the time. We can always be wise after the event, of course. I would like to read certain parts of this, sir:

"The problems arising out of the depression which began with the crash on the New York stock market in September, 1929, were met by different countries in a variety of ways. In no case, mainly for political reasons, were the normal consequences of the depression factors allowed to take their course and ultimately arrive at a normal readjustment and equilibrium. The plans put into effect to correct the economic evils of the depression were widely divergent. For the purpose of this analysis only three countries will be considered, namely, Australia, the Argentine, and Canada. These three countries had many things in common. They were all debtor nations and consequently required a favourable balance of trade in order to meet foreign obligations. They were also in the main primary producing countries, and consequently depended on the export of primary commodities in order to create this favourable balance. However,

"in order to meet their economic problems, these countries adopted three distinct methods."

And then the next paragraph deals with Australia which has adopted a method of currency inflation, and the following paragraph deals with the Argentine which also inflated her currency and in addition adopted a method of bonusing primary exports by a monetary device. And then I point out that Canada had no definite policy, that is pre-conceived policy, put it that way.

THE CHAIRMAN: Canada had a policy, as you say here, of high protection so as to limit the amount of imports that we would be called upon to pay for.

DR. CARROTHERS: Yes, sir.

THE CHAIRMAN: And sought to maintain the Canadian dollar somewhere not too far away from the American Dollar up to a point.

DR. CARROTHERS: Canada, of course, was in an extremely ^{difficult} / position, because she had the pull of her connection with the British Isles and her United States connection. It was an extremely difficult position for Canada to be in. The point that is made here is really that the tariff policy was a monetary policy in essence, although it was part of the tariff policy.

Now, it is pointed out on page 320 that by the use that was made of dumping duties and valuation for duty and so on that:

"The manufacturing industries of Eastern Canada benefited by this taxation in that this form of dumping duty gave protection from a great deal of competition. This benefit went, in the main, to Eastern Canada, mainly Ontario and Quebec. It imposed a burden on the three prairie provinces in that they had to pay not only the higher tariff on

"imported goods but also the higher price which this tariff enable the manufacturers of Eastern Canada to charge. The Prairie Provinces, however, were recompensed for this to some extent in that the Dominion Government, seeing the disastrous effect of this on the Prairie wheat farmers, paid a bonus on wheat sold."

THE CHAIRMAN: That was only for one year and then five cents a bushel, as I recall.

DR. CARROTHERS: It is given in the table here, the total amount that was involved.

THE CHAIRMAN: And it was on account of the very low price of wheat, was it not?

DR. CARROTHERS: Well, the two things were related, sir, the policy of Canada, you will see later when we deal with the price level.

"In British Columbia, both producers and consumers were injured. The consumers suffered for the same reason as Eastern Canadian consumers. Producers in British Columbia, engaged in industries essentially dependent upon foreign trade for their existence, suffered by the decreased purchasing powers in the foreign markets. Thus, in British Columbia, consumers had to pay higher prices for the goods which they bought, and there was no compensating advantage to British Columbia producers."

Now, following that is a discussion of the method by which it was carried out which I will not read. The next section I am not going to read in detail, sir. It is shown there that the effect of this policy in Canada was to keep the price level low and that the economic effect of that was for the disadvantage of Canada.

THE CHAIRMAN: Keep the price level low?

DR. CARROTHERS: Yes, the prices of commodities. One of the features of the depression, the disastrous feature of the depression was low prices.

COMMISSIONER DAFOE: The price of exportable commodities?

DR. CARROTHERS: Yes, and of course also on those sold inside the country as well. You will note there in the second paragraph of that section that the Argentine by its monetary policy kept its price level on the average about 30 per cent. higher in those years than Canada and Australia about 12 per cent. higher.

"This meant that people in the Argentine or in Australia who had fixed charges to pay within their respective countries, were 30 per cent. or 12 per cent. respectively better off than individuals similarly situated in Canada."

You are familiar with the affect of a low price level on the payment of interest.

THE CHAIRMAN: Yes, we had a full discussion of this, if you remember, in Saskatchewan.

DR. CARROTHERS: Not along the same lines. The suggestion there, of course, was that Canada should have adopted a monetary policy. We are not suggesting that here. We are simply analyzing the situation as it existed.

THE CHAIRMAN: Then, if Canada adopted the right policy, is it possible to base fiscal relations between the provinces and the Dominion on an emergency situation where a government adopts a particular policy for a limited period? We are dealing with relatively permanent matters.

DR. CARROTHERS: The answer to that, sir, is in the brief on page 326:

" The significance of this analysis is that in a national crisis the policies adopted were such as to

"favour the manufacturing interests of Canada to the disadvantage of primary producers."

THE CHAIRMAN: That may be so as a fact but that was not the reason for it at all I am sure the then Prime Minister of Canada would say.

DR. CARROTHERS: Yes. Well, I will read further and that will answer you further:

"It is natural that primary producers should feel that what has happened in the past is likely to happen in the future, due to the fact that the British North America Act places the control of money and banking and trade and commerce in the hands of the central government upon which strong political pressure is exercised by the manufacturing interests."

THE CHAIRMAN; Well I doubt exceedingly if any pressure was exercised by the manufacturing interests in determining the monetary policy of Canada during that period. I think it was settled by the then Prime Minister of Canada according to what in his view was in the national interest.

DR. CARROTHERS: And those views would naturally be influenced by the opinions of other people and the influence brought to bear on his mind.

THE CHAIRMAN: He is a Western man, familiar with Western conditions, and I doubt very much the accuracy of that statement.

DR. CARROTHERS: Well, that may be.

THE CHAIRMAN: I accept it as your view but I doubt the accuracy. I happen to know the Prime Minister and know his attitude, the then Prime Minister, and I believe the policy decided upon was the one that he himself believed from his knowledge of the general situation was in the national interest. Now, it may not have been.

DR. CARROTHERS: There is no suggestion here, sir, that it was other-wise.

THE CHAIRMAN: The suggestion is that it was virtually dominated by particular interests.

DR. CARROTHERS: Well, I think those two things are not opposite, sir. It is an extremely difficult thing in this world to find an absolutely unbiased mind. I mean we are all the creatures of our circumstances so far as our opinions are concerned.

THE CHAIRMAN: Quite.

DR. CARROTHERS: And all that is said here is that the dominant view of that period or at least the dominant group was the manufacturing group and they undoubtedly influenced the opinions of the government of the time. There is no suggestion that it was done in any small way, they were quite honest about it, and very often that is the worst sort of position, the one that is honest but wrong.

COMMISSIONER SIROIS: Was not the large part of our debt held in the United States at that time? The exchange was against us.

DR. CARROTHERS: In United States?

COMMISSIONER SIROIS: Yes.

DR. CARROTHERS: Well, I deal with that here ---

COMMISSIONER SIROIS: Never mind then.

DR. CARROTHERS: In the brief, in connection with that. So, if I may, sir, unless there is some further question I pass from that question.

COMMISSIONER ANGUS: Before that, is Table 171 at page 321 in terms of the currency of each country?

DR. CARROTHERS: I don't see any note there as to that. You will notice the United Kingdom is taken from the London "Economist"; the United States from Irving Fisher's index.

This is the note at the bottom of the page: "Source: Canada, the Dominion Bureau of Statistics, prices and price indexes."

COMMISSIONER ANGUS: They are in the currency of each country.

DR. CARROTHERS: Yes, as supplied to the Bureau of Statistics at Ottawa.

COMMISSIONER MacKAY: I am just asking for information, Dr. Carrothers, I am not quite clear in my own mind. Is the point of this argument that the monetary policy of the country bore heavily upon certain provinces or, in this case, British Columbia, and that in consequence the Dominion should bear a proportionately larger share of the costs of the depression?

DR. CARROTHERS: Well, I am not adding any conclusion as to what the Dominion should do but pointing out that this policy did bear heavily on British Columbia. If you turn to page 324 it says:

"The significance of this situation can be appreciated in relation to the economy of British Columbia, which is based mainly on primary products. This result is accounted for by the policy which was adopted in Canada of obtaining a favourable balance of trade by discouraging imports rather than encouraging exports."

That was referred to a moment ago by the Chairman as being the policy.

"The result of this policy, which kept the prices of manufactured goods high, also kept the cost of living relatively high. This placed an additional burden on the people of Canada, apart altogether from the higher burden of fixed charges such as mortgages, etc., which the Canadian people had to

"meet, on the basis of a lower price level or a higher value of the dollar. This is shown in Chart XIII. where the Dominion Bureau of Statistics' index for the cost of living is shown as a percentage of the general wholesale price index."

THE CHAIRMAN: The Canadian people apparently agreed with that view and they changed the government. Is not that about the only significance this monetary policy had?

DR. CARROTHERS: Well, I would refer you again to the paragraph I read as to the political factors, the political pressure which was brought to bear by powerful interests and so on, has to be kept in mind by those of us who live out here at the Coast.

THE CHAIRMAN: I thought you had some good powerful interests out here too. At least some of the provinces think so. That is, the provinces other than Ontario and Quebec; I do not know what they think. The other provinces think British Columbia is right up in the class with Ontario and Quebec.

HON. MR. PATTULLO: And we want to keep up.

DR. CARROTHERS: Turning now to page 327, sir, dealing with external debt obligations, there are certain parts of this that I would like to read because I think it is a matter of very great interest particularly in view of the financial condition of some of the provinces and some of the municipalities:

"The crisis 1931 to 1934 indicates not only that the national policy is likely to favour manufacturing interests as against primary producers, but also that it is likely to favour the central government against the governments of the Provinces and the municipalities. This is shown by the effect of the national

"monetary policy on payments of principal and interest owing outside Canada.

In this study an attempt has been made to secure all available information on the external debt of Canada at that time. A study of the policy of the Dominion Government in this respect would reveal (1) owing to the increase in the monetary value of gold the Dominion Government made a profit on its gold holdings of about \$49,000,000"

THE CHAIRMAN: Doctor, does that refer to gold which the Dominion took over at the time the value of the dollar was reduced or does that refer to gold in its treasury?

DR. CARROTHERS: The total holdings of the government at that time.

THE CHAIRMAN: At what date?

DR. CARROTHERS: 1931-32. That is its own holdings of gold.

"(2) a statement of revenue and expenditure on foreign exchange transactions of the Dominion Government as shown in the Auditor-General's Reports, would indicate that during the fiscal years 1931-32 to 1933-34 a profit on foreign exchange to the amount of \$7,917,948.83 was made; (3) during this period no payments on principal of the Dominion Government debt outside Canada fell due, while considerable payments had to be made by the Provincial Governments and municipalities. Thus, the Canadian monetary policy was one which was favourable to the Dominion Government and unfavourable to the Provincial Governments and the municipalities. In other words, by the insistence on the maintenance of the value of the Canadian dollar in the foreign exchange markets, special burdens were placed on the Governments

"of the Provinces and the municipalities in meeting external obligations."

I might again point out here, sir, there is no criticism of this policy in itself. It may have been a perfectly good policy for Canada. All I am trying to do is to show what was the effect of that on this province.

THE CHAIRMAN: There is one point here I do not quite understand. You may be coming to it but if not would you clear it up now? If Canada had permitted her dollar to fall then would not the payments required by the municipalities and provinces outside of Canada been substantially in excess of what they were?

DR. CARROTHERS: In dollars?

THE CHAIRMAN: In dollars?

DR. CARROTHERS: Yes.

(Page 5201 follows)

THE CHAIRMAN: At our Winnipeg sittings, our colleague, Mr. Dafoe, stated he had heard the Prime Minister of Canada state on two occasions that the total obligations of Canada, not just the Dominion, but of all parties in Canada, payable in the United States, amounted to \$1,000,000.00 a day.

DR. CARROTHERS: Payable by the Dominion?

THE CHAIRMAN: No, everything, and that if the dollar had dropped to fifty cents, it would have meant \$600,000,000.00 in a year. Canadian economic financing would not have stood that burden.

DR. CARROTHERS: I am informed that on examination that statement was incorrect, that \$1,000,000.00 a day payment was not based on fact.

COMMISSIONER DAFOE: Mr. Bennett repeated it after it had been contradicted.

DR. CARROTHERS: We examined it and we can only give our data on that basis, and that was the situation.

THE CHAIRMAN: What did you find, did you set it out anywhere in a table here?

DR. CARROTHERS: I might say that this is concluded on the next page, so if you do not mind, I will just read it through to the end. I am quoting from page 327 of the main Brief:

"At the same time the Dominion government, through its exchange transactions in sterling and United States dollars, was able to avoid loss. Tables 172-176 show the foreign exchange transactions during the fiscal years 1931-32 to 1933-34.

It will be seen from Table 173 that the monetary policy of the Dominion cost the province of British

"Columbia the sum of \$2,686,795.50 during the years 1932, 1933, and 1934. It is difficult to estimate the loss to the municipalities in this respect. However, a survey made by means of a questionnaire indicates that the loss to the municipalities was at least \$104,972."

I might say, sir, we circulated the various municipalities to find out what additional payments they had to make in the foreign markets of exchange, at that time. We believed the figure was much too low. The accounting systems of the municipalities do not segregate these additional payments, so consequently that is not a very good figure; it would be much higher than that. I continue:

"The policy which was adopted favoured

1. the manufacturing industries,
 2. the central government,
- to the disadvantage of
1. primary producers throughout Canada, and
 2. provincial and municipal governments.

This was particularly serious for the province of British Columbia as it is dependent mainly on primary production for the support of the community.

This is an analysis of what actually took place during a crisis in Canada. There may have been good and sufficient reasons at the time for the actions taken. There is little doubt, however, that a continuation of this policy would have ruined the industries of this province and wiped out the revenues of the government. Fortunately, change in the monetary policy of countries outside Canada necessitated change in the Canadian policy

"which relieved the situation in this province.

The factors which led the Dominion government to take such action during this period are still dominant in Canada. In a similar crisis in the future it is not unlikely that similar action would be taken.

As the action taken with regard to monetary policy by the Dominion government placed the provinces and the municipalities in a position of disadvantage in the matter of meeting foreign obligations, which resulted in financial loss to these bodies, it is not unreasonable to suggest that the Dominion government should have borne the loss accruing to the provinces and the municipalities because of the national monetary policy, or at least rendered such assistance as would have avoided loss."

This completes this part of our presentation, Mr. Chairman.

THE CHAIRMAN: There is one penalty which is paid in Canada under our constitutional government, that is a political penalty, where a policy is adopted which the country does not think in its interests. I am not sure there is any other method of dealing with a temporary policy--of dealing with a national emergency. Thank you very much, Dr. Carrothers, for your assistance in this matter.

COMMISSIONER MacKAY: Dr. Carrothers, there is one question I would like to ask. I gather in this statement of provincial economy, you are simply studying the incidence of, as I gather, three different lines of federal policy.

You are not attempting to cast a balance sheet of the profits and losses of British Columbia as against the Dominion?

DR. CARROTHERS: No, I am simply discussing national policy.

COMMISSIONER MacKAY: Do you think--I put this to you as an economist rather than as a representative of the government--it is possible for a province to set up a balance sheet of its profits and losses as against the rest of the Dominion?

DR. CARROTHERS: I think the practical difficulties involved would be almost insurmountable. The difficulty would be to segregate what is purely a provincial matter from what is a matter for the province as part of the Dominion. We went into that and tried to do it, but we gave it up because the element of estimation would have been so large that we questioned very much whether it would be of any value to this Commission.

THE CHAIRMAN: Senator Farris, Mr. Stewart, our counsel, would like to ask you some questions on the Brief which you have presented to the Commission, if it would be convenient.

MR. STEWART: I understand Dr. Weir wishes to present some supplementary submissions covering recommendation number 12, first. After that, I would like to address a few questions to Senator Farris.

HON. MR. WEIR: My intention is to amplify recommendation number 12, which is found in Part VII of our Brief. I assume you wish to hear some more about this recommendation, and I think it is advisable, as it would involve health in-

surance as well as other matters. I would like to state this condition generally because if the so-called federal principle of the distribution of powers between the Dominion government and the provincial government is to prevail, I submit that there are no matters of legislation which should more appropriately be assigned to the province than health and education.

THE CHAIRMAN: I think a good many of the members of the Dominion government would agree with that view.

DR. WEIR: I am going to read an extract from Hansard which would support that statement. There is little or no valid reason why health services or health insurance should be controlled exclusively by the federal government than that the same should be done with, say, workmen's compensation or education.

However, in the field of health, especially so-called public health--I know the lines separating these fields are somewhat blurred--there is a place for Dominion aid and cooperation, as I shall endeavour to point out. I mean for Dominion health services which would be supplementary to, not exclusive of, provincial health services. There are fields which are concurrent and supplementary, rather than exclusive.

The statement on possible overlapping of services between the Dominion and provinces deals more specifically I assume, with this matter. I submit that a case of considerable academic merit can be made out for centralization, by that I mean Dominion control in the health field. A good academic argument could also be presented for centralization of educational control, which, if put into operation

would destroy one of the cornerstones of Confederation. The case for health is somewhat analogous to that for education--though the practical necessity for decentralization or provincial control of health services may not appear so great as in the case of education. Health, however, is the first of the so-called cardinal objectives of education. Its relation to education, especially in the preventive field, is very close.

I am prepared to submit that, in the case of health services, the question may be largely one of preponderance of merit as between centralization or decentralization. In my judgment the overwhelming preponderance of merit is on the side of a reasonable degree of decentralization or primary provincial responsibility for health services. There is also the question of practical politics, and I shall quote from Hansard, March 7, page 1198, to show that there is little likelihood of the Dominion government, while presumably ready and willing to cooperate with the provinces, invading the provincial field in matters of health.

THE CHAIRMAN: Is that this year?

DR. WEIR: Yes, it is this year.

THE CHAIRMAN: I am afraid that this Commission can not take account of all the political addresses being made in Parliament this year or we had better suspend operations.

DR. WEIR: I think the citation from Hansard is given by the Minister of Health and it clarifies the question of practical importance, that is the question of whether the Dominion government should accept primary or secondary responsibility for the inauguration of health insurance.

The Dominion government will not enter the health insurance field, though it appears ready to cooperate with the provinces.

Now, the central point of this statement which I would like to present is, how are the responsibilities for health to be allocated as between the Dominion and the provinces. Reference to some general principles of government in a Federal system will point the way towards specific proposals with respect to health. This is just a matter of the preponderance of the merit of the evidence and I refer to it in a general way. It appears wise to leave to provincial jurisdiction those fields of administration which do not have to be appropriated by the Dominion for reasons such as the following: The Dominion government should not be overloaded with responsibilities. The complexity of federal administration is increasing rapidly. In the future the Dominion Parliament and Civil Service will be strained to meet their necessary obligations efficiently without being required to accept responsibilities which are not strictly essential. So long as a function can be assumed with administrative efficiency by a province there is no advantage, other things being equal, in transferring it to the Dominion. Decentralization of public administration has particular merits in Canada, where the sheer bigness of the country, along with the important regional differences, would tend to make central administration costly, cumbersome, and difficult. Regional differences in economic conditions, religious, language, tradition and social institutions must be considered. The

needs of the different parts of the country differ and the attitudes and the opinions of the people are different. Progress in various health fields may be achieved more rapidly by permitting the various provinces to legislate and to administer as they think best.

On the other hand, there are at least two main arguments in support of greater centralization of government in Canada. The first of these is financial. The provinces or at least some of them, including British Columbia, have found it difficult or almost impossible to finance services for which they are now constitutionally responsible, such as hospitalization and the increasing influx of these from the prairie provinces. This is putting a strain on this province. Secondly, it is desirable that there should be some approach at least towards national uniformity of social services. This is particularly true in the matter of social services. Any proper doctrine of a Canadian nation involves the conception of a basic Canadian standard of opportunity and well-being which is the birthright of every Canadian. Federal leadership in health fields is the surest guarantee of national uniformity. I would suggest an extension of the principle which was introduced in 1919-20 in connection with the grants-in-aid for health services such as venereal disease control and matters of that type.

When we apply these conflicting arguments of principle to the field of health, it appears that jurisdiction should remain largely where it is, under the provinces. This conclusion is supported by a number of special considerations

which will be mentioned briefly. From the administrative point of view, the major health services can be handled efficiently by the provinces and the local authorities. Much health administration, such as sanitary control, consists of matters of detail which the local unit of government is equipped to handle, as it has done traditionally. The local unit is near the problem and better acquainted with it. There are no intrinsic reasons why certain other health services now administered by provincial governments, such as tuberculosis and venereal disease control services, laboratories, control of hospitals and so forth, cannot be operated as efficiently by the provinces as by the Dominion.

The health services are closely related to the other social services, including education, public assistance, relief medical service, unemployables, tuberculosis and mental hygiene. There is a strong case for these to be administered by the same branch of government, presumably the province, which may be expected to hold main jurisdiction over the social services. For it is certainly easier to obtain coordination as between two departments of a provincial government, than as between a provincial department and a Dominion department. Health is particularly a field in which provincial autonomy is required on account of regional differences. Diversities in religion and social philosophy as between the different provinces would make it most difficult for the Dominion to enact legislation on certain matters.

THE CHAIRMAN: Dr. Weir, my recollection is, that any suggestions which have so far been made to the Commission

do not include the taking over of the field of public health by the Dominion. The least suggestion which has been made to the Commission is that if health insurance should be enacted, it should be a federal rather than a provincial enactment.

DR. WEIR: This is a background for that matter. As a matter of fact, I do not think you can consider health insurance apart from public health service; the two are very closely interlocked.

THE CHAIRMAN: That may be so, but that is a different proposition than the Dominion taking over the whole health field.

DR. WEIR: I am not advocating that it should be taken over by the Dominion. You cannot take over the one and administer it efficiently without Dominion control of the other, that is the public health services; this is the position I would like to make. Some persons who have advocated a national scheme of health insurance have not taken into account the main difficulties in the way of such a programme. If they are to be consistent they should also advocate national jurisdiction over all health services. For health insurance and public health services are very intimately related and should be nicely adjusted to and correlated with them. But these services--tuberculosis and venereal disease control, school health work, laboratory work and so forth differ from province to province. Thus, under a Dominion health insurance scheme, benefits would have to vary from one province to another or else there would be serious gaps in service in some provinces. Similar

problems would arise with respect to workmen's compensation and hospitals. Each province has its own system, into which a health insurance plan should dovetail. Separate provincial schemes can be worked out which will not leave too many rough ends, and this would not be the case with a Dominion system.

There are numerous other arguments in favour of provincial action. Health insurance should emphasize preventive medicine, and close association with provincial public health services will increase the interest of health insurance administrators in this subject. I might, say, in the last three years our programme of tuberculosis control has reduced the number of advanced cases entering our institutions from three in four to one in three. Now, if the central government were administering this service, I do not think we could have had such a record as that. Regional differences in Canada call for different schemes of health insurance adjusted to the needs and the attitudes of the people--something different for Saskatchewan from that which suits Ontario. A land tax or general property tax may have to be used to raise funds in rural districts, and this is not an appropriate tax for the Dominion to impose. The problem of administering any service over the vast area of Canada is difficult and this is particularly true in the case of a service that touches the lives of a large number of people as intimately as health insurance would.

A further danger is that the standards of medical

service and of remuneration would tend to be fixed at a minimum under a Dominion-wide system. The result might be to create in Canada a "poor man's" system of health insurance which is certainly not in keeping either with good modern standards of health insurance or with the development of modern medicine. The average quality of medical benefits would tend to approximate that of the most backward areas.

These arguments point only in one direction--provincial laws are necessary largely for reasons of elasticity. It appears, therefore, that there is a strong case for provincial jurisdiction over major health services as well as health insurance. Does this mean that the Dominion has no legitimate part to play in the health field? By no means. Some measure of uniformity between the provinces is desirable and the Dominion government is the logical body to promote this. It should recognize that health is a matter of national concern. It should return to the policy of 1919 from which it retreated in 1932, when the venereal disease grants were discontinued, and offer national leadership in the field of health. This it can do, without undertaking the administration of any services excepting a few that are obviously national, by assuming such functions as, providing services as at present for certain classes of persons who are wards or special responsibilities of the Dominion such as Indians, immigrants, and war veterans. The Dominion could protect the provinces against health problems that are beyond their

control, such as the spread of contagious diseases from foreign countries to any province or from one province to another. As a matter of fact, spotted fever and bubonic plague seem to be creeping up in Washington, and the Dominion authorities are cooperating in that respect. The Dominion could offer leadership in the field of health to encourage uniformity of standards by such devices as providing services or research, statistics, expert advice and public education. It could also offer grants-in-aid to the provinces to encourage them to develop health services, including health insurance. At the present time, we have a very acute hospitalization problem in this province requiring a great deal of financial assistance. In this regard my recommendation with regard to the Dominion providing services for certain classes of persons is self-evident. The Dominion does assume some control to protect the provinces against the spread of contagious diseases, but more should be done to protect the provinces against certain health problems which are beyond their control. In particular, the Dominion should give more attention to health problems incidental to inter-provincial migration. The problem of inter-provincial transients, and also the problem of determining residence--I think the premier has referred to that matter already. I think it will come up again in the statement on overlapping services. British Columbia feels this particularly, since it is an immigrant-receiving area, into which many settlers come each year from other parts of Canada, notably the prairie provinces. These immigrants bring with them a certain amount of contagious disease and they make heavy

demands upon the health services of this province, thus creating a serious financial problem. Some data was given this morning by Dr. Carrothers with regard to that matter.

There are at least two ways of meeting this problem and Dominion action is necessary in the case of both. One method would be the establishment of definite residence rules throughout Canada to determine the provincial "Residence" of all citizens and to provide that if, a person from one province obtains health or other social services in another, the second province would have the right to charge back to the province of responsibility the cost of such services. Such rules have been established in British Columbia and in other provinces to define the responsibility of municipalities towards individuals. It would be a great step forward in our social service organization if inter-provincial rules of a similar nature were promulgated. But provincial rivalries stand in the way of such uniform rules and Dominion leadership to bring the provinces together on this point seems necessary. We have not been able to get certain of the provinces to agree to an inter-provincial agreement in this field.

If uniform provincial residence rules and reciprocal agreements regarding social service charges are not established, it seems quite reasonable that British Columbia should ask the federal government to contribute liberally towards the cost of providing health and other social services for persons who have not acquired residence status

in British Columbia under the legislation prevailing here. Nothing need be said in support of the general idea of national leadership in the health field, which is the third function suggested for the Dominion. There can be no dispute about the desirability of this. The only practical question at issue is how Dominion leadership can be effectively exercised. It is submitted that a great deal can be done through a thorough going national service of research, statistics, expert advice on health service planning, and public education. These are all essential items in a modern health programme but are too highly specialized to be developed adequately by provincial health departments. Along with these national technical services there should be provision for grants-in-aid to the provinces, designed to encourage the adoption of significant and constructive health policies, such as tuberculosis and venereal disease control, establishment of health units and child health services. Nothing will do more to raise standards from province to province, to a uniformly good plane.

While health insurance is properly a service for provincial administration, this does not absolve the Dominion from responsibility. It should foster early action on health insurance by the provinces, as on other health reforms, and nothing would be more effective in this direction than the offer of reasonably generous grants-in-aid.

THE CHAIRMAN: Should health insurance be contributory
Dr. Weir?

HON. MR. WEIR: I think it should, my Lord.

THE CHAIRMAN: I am afraid the Dominion will have to find a way to balance its budget before it can afford to assist in the establishment of new services.

HON. MR. WEIR: I know the Dominion will never enter the health insurance field before the millennium, but at the same time, the Dominion government could contribute towards this section of health services to which I have referred, such as tuberculosis control, child welfare, venereal disease control, and mental hygiene.

It should be added that it is a conditional rather than an unconditional grant-in-aid which is suggested, both towards public health services and towards health insurance. If the Dominion gives money to the provinces to be spent on health it should be on the condition that they establish and maintain services of reasonably high standards. There are certain minimum standards as a condition precedent to giving these grants--it has been done in the past. It is an extension of this principle which is advisable. The fourth function, proposed for the Dominion is that of granting financial aid to provinces in cases of emergency. No departure from general principle of provincial responsibility is intended or implied when it is submitted that the Dominion should do this. During such a period as that of the last few years a strong case can be made for financial aid from the Dominion to some of the provinces at least, that have been in a desperate financial plight to enable them to carry on essential services. There are at least three depression problems towards the solution of which British Columbia may legitimately seek special

financial aid from the Dominion. The first of these is the problem of health services for non-residents, which has been mentioned above. The second is the problem of providing new hospitals and health institutions, which has also been mentioned before. Special assistance from the Dominion on this item would enable the province to overcome a ten-year deficiency in institutional building. The third problem is that of medical services for recipients of unemployment relief and their dependents, which now costs the province about \$250,000. annually, and the municipalities more than \$100,000.

It is not reasonable to expect the province and local authorities to assume the full costs of unemployment relief medical services. The need for these arises out of the unemployment problem, major responsibility for which should be assumed by the Dominion. If this is conceded, it surely follows that the Dominion should meet at least a substantial portion of the costs of unemployment relief medical services. Medical services, I submit, are in the same category as food, clothing, and shelter, and they are vital in that regard.

Now, by way of summary, I am stating that health services represent an essential function of the modern state. Existing health services in Canada which are mainly in the hands of the provinces, are not adequate to safeguard the health and physical well-being of the people. There is urgent need for a vigorous attack upon ill health and preventable deaths, including health insurance. The existing division of powers as between the Dominion and

the province in the field of health is essentially satisfactory because the province is the most suitable agency of government to administer both public health and health insurance. But the Dominion, besides operating certain services that must be national, should adopt a greater measure of national leadership and should assist the province financially in meeting certain problems.

Finally, it is submitted that the division of responsibilities between Dominion and provincial governments recommended here, is well calculated to meet the health problems of the day. It should make possible the application of a national health programme, which will progressively make available adequate public services to safeguard and advance the health of Canadian people.

Now, as a matter of politics--I am not using the word politics in the partisan sense--I would like to refer to the statement made by the Honourable Mr. Powers. I am giving only a few paragraphs, but I think it does express the view of the Dominion government.

THE CHAIRMAN: Of course, if you wish to read it, it is perfectly all right, but quite frankly the questions which have been entrusted to this Commission for consideration and report are being discussed by public men in the different parliaments --We have no comment to make on that; they are entirely within their rights. However, this Commission cannot discharge its duties other than by carrying out its investigations as required, and it cannot determine its policy upon the information of any public man, Dominion or provincial, excepting as it may harmonize with the conclusions which the Commission may reach based on the

facts disclosed by the Commission's investigations. Therefore, while these statements might be quite properly made by the man concerned, they cannot influence us in our study of the problem. We must get at the basic facts and reach our own conclusions.

HON. MR. WEIR: I quite appreciate that; this does reinforce some of the conclusions I intended to place before you.

THE CHAIRMAN: You think it shows your wisdom, do you?

HON. MR. WEIR: Or the wisdom of Hon. Mr. Powers.

I am quoting from Hansard, March 7, 1958, at page 1198:

"With respect to the other provinces--" the other provinces referred to are Alberta and British Columbia--"my friend and leader, the Hon. Minister of Justice (Mr. Lapointe) has dared to suggest to certain provinces that we might, with the assent of the provinces, add two words to the powers conferred upon the federal government by the B.N.A. Act, and he has met with such a storm of revilement and abuse, in one province at any rate, that I fear that were I to ask that province to add two more words "Health insurance," I would be submitted to the tortures of the rack and the boot and perhaps be eventually boiled in oil. In any case, I personally have some respect for the political views which I acquired in early youth--" I omit the next paragraph or so and continue to quote:

"But there is no doubt whatever that there is need for better medical facilities in Canada. We have boasted and we shall probably continue to boast of our advance in medical research and medical

"science; but it is al too true to state that only eighteen years ago, in 1918, 30,000 Canadians lost their lives in the influenza epidemic, and only last year between 5,000 and 6,000 people in one province alone were attacked by Infantile Paralysis. Too many lives are lost in child birth. Too many children and mothers die; and irrespective of jurisdiction, provincial or federal, too many people are dying of degenerative diseases of middle age. We have not as yet, been able to find a cure for cancer, or even the cause of it; and tuberculosis though it has been controlled to some extent, is still a menace within our borders. Mental diseases require a great deal of care and involve a tremendous expense to a large section of the population. Venereal disease, though something has been done in that direction is far from being under control at the present time. The cost of sickness is altogether too great; the cost of prevention and cure under the present illadjusted system is altogether beyond reason;"

These are some of the sections of public health service to which I have frequently referred throughout my discussion. Then, I made the statement that the federal government is ready and willing to cooperate, and the Hon. Mr. Powers says, I quote:

"The federal department of health is ready and willing to do its share."

The federal government appears to be definitely out of the field of health insurance, but it is ready and willing

to cooperate with the provinces in these major health fields to which I have referred. That is all I have to say in amplifying recommendation number 12.

THE CHAIRMAN: Thank you very much for your assistance, Dr. Weir. Mr. Stewart, you could ask your questions of Senator Farris, at this point.

MR. STEWART: Senator Farris, I would like further information in connection with British Columbia's demands for better terms. This is quite frequently referred to in your Brief and in part two of the provincial brief. Can you tell me what specific claims were made by the various delegations which visited Ottawa from British Columbia starting, say, with 1900.

HON. MR. FARRIS: I had better take a note of these, Mr. Stewart, and check them definitely.

MR. STEWART: Can you not give them to me, approximately?

HON. MR. FARRIS: I am not on cross examination; I will give you a very definite statement.

MR. STEWART: Can you start at a later date, can you do it from your own experience and memory, take from 1927?

HON. MR. FARRIS: Why not give it in a statement which I will prepare and give to you?

MR. STEWART: Because one question very often leads to another Senator Farris, You were a member of the government in 1927, were you not?

SENATOR FARRIS: Yes, I was.

MR. STEWART: Can you tell me, coming down to very recent times, can you tell me what representations were made by the delegation which visited Ottawa in 1934?

HON. MR. FARRIS: No, I cannot tell you, except what is on the record.

THE CHAIRMAN: Possibly where these questions touch upon matters not within Mr. Farris's knowledge it would expedite matters if the premier or Mr. Hart could answer them.

HON. MR. PATTULLO: I do not definitely recall whether it was in 1934 or 1935, that we made representations to have our requests investigated. One presentation made before Mr. Bennett resulted in the granting of the interim subsidy--the letter to that effect is filed as an exhibit. We were given an interim grant of \$750,000.00. Copies of this exhibit were put in the hands of the Prime Minister of Canada. Based upon that, he promised me a special commission to investigate the claims of British Columbia, but that was subsequently merged into the Commission represented by your honourable body.

MR. STEWART: I understand the interim allowance of \$750,000.00 was made before the written Brief marked as exhibit 173 was filed.

HON. MR. PATTULLO: Is that 1935?

HON. MR. HART: It was made in 1934.

HON. MR. PATTULLO: Yes, I was not sure just when it was made at the moment I stood up. I was not sure whether it was made prior to or under this Brief. At all events I can get the information, but it was given by the Bennett administration on the representations made at that time.

THE CHAIRMAN: Was there a written Brief submitted in 1934?

HON. MR. PATTULLO: Yes, there must have been.

THE CHAIRMAN: Could a copy of that be made available to the Commission?

HON. MR. PATTULLO: Yes, certainly, it will be made available to you.

MR. STEWART: Rather than pursue the particular point I was making, I think perhaps I should postpone further questions on that particular point until the information which Senator Farris, is getting, is present.

THE CHAIRMAN: If the 1934 Brief is available, we might get some information from that.

HON. MR. PATTULLO: The argument presented in that Brief was so strong that so eminent a politician as the Prime Minister of the Dominion of Canada granted \$750,000.00; I have no doubt it will be equally impressive to this Royal Commission.

MR. STEWART: This will be exhibit number 179.

EXHIBIT NO. 179: Brief of British Columbia submitted in 1934.

THE CHAIRMAN: What exhibit number was the 1935 brief?

MR. STEWART: It was exhibit number 173.

THE CHAIRMAN: Have you extra copies of that 1934 brief, Mr. Hart?

HON. MR. HART: Yes, I think so, sir.

HON. MR. STEWART: At any rate, the 1934 representations are contained in this brief exhibit number 179, that is correct?

HON. MR. PATTULLO: I might say that was the brief submitted to the government, but the argument was made by the then Attorney-General, who is now on the bench, Mr. Sloan. However, I think it is all there.

MR. STEWART: This was the Brief?

HON. MR. PATTULLO: That was the brief, that is correct.

MR. STEWART: And the 1935 representations are contained in the 1935 brief marked exhibit number 173?

HON. MR. PATTULLO: Yes, that is correct.

MR. STEWART: Was there any further brief submitted in 1936 when the subsidy of \$750,000.00 was granted?

HON. MR. PATTULLO: There was no further Brief, but there might have been some correspondence.

MR. STEWART: There was no further Brief, nothing supplementary to exhibit number 173?

HON. MR. PATTULLO: The representations were made by myself and Mr. Hart, personally.

MR. STEWART: Nothing more than bringing down the data, the argument is contained in exhibit number 173, is it not?

HON. MR. PATTULLO: Yes, that is it. As a matter of fact, we did not have to put up very much argument; it was agreed that our claims should be investigated.

Mr. Chairman, I am very sorry that the 1934 Brief was not filed. I can quite understand your suggestion that you were not satisfied--I gathered you thought we had not made out our case with reference to the \$750,000.00.

(Page 5235 follows)

THE CHAIRMAN: No, I did not say that. I said you had asked for a Commission; we have been advised that you were promised that we would investigate. Therefore, we must have all the facts before us to enable us to say whether, in our opinion, you are entitled to \$750,000, or more, or less.

HON. MR. PATTULLO: I only arise now to say that I am sorry the 1934 brief was not filed, because that was the one upon which the grant was made, and you did not have it before you. I was assuming the exhibit of 1935 was the one on which that grant was based.

MR. STEWART: Senator Farris, just in order that there may be no misunderstanding, the information I was desiring was in regard to the claims, and the specific reasons in support of the claims made by the delegation from British Columbia to Ottawa in 1900, 1903, 1905, 1906, 1911, and 1927. If that information is obtained by the Honorable Mr. Premier, for 1934 and 1936.

Senator Farris, has any analysis been made of the incomes of the various provinces in order to ascertain the proportion or percentage thereof represented by the Dominion Government payments, or subsidies?

HON. MR. FARRIS: Will you repeat that? I do not quite follow you? An analysis of incomes of the provinces --

MR. STEWART: The revenues of the provinces.

HON. MR. FARRIS: That is, as shown by the budget?

MR. STEWART: Yes; to ascertain the proportion or percentage of the income represented by the Dominion Government subsidies. I would like that merely for the reason that the letter from the Right Honorable Mr. Bennett to the Honorable Mr. Pattullo, dated December 19th, 1934, exhibit 175, seems to place the temporary grant of \$750,000 on the basis of the percentage that the Dominion subsidies

bear to the total revenues of the respective provinces. Can you tell me whether any such study or analysis has been made?

HON. MR.FARRIS: I have not it available, but I do not think it would be very difficult to get that.

MR.STEWART: I merely wanted to know if that had been made by the province for the purpose of this hearing.

HON. MR.PATTULLO: We will get that, Mr.Stewart.

MR.STEWART: Turning for a moment to page 5 of your brief, Senator Farris, - and by the way, my Lord, it may be well to have Senator Farris' brief marked exhibit 180.

EXHIBIT 180 - Brief of Argument submitted to the Royal Commission on Dominion-Provincial Relations by the Government of the Province of British Columbia.

HON. MR.FARRIS: Mr.Stewart, would you repeat your question? Dr.Carrothers is checking up on that, and he is not quite sure he has that question.

MR.STEWART: Has any analysis been made to ascertain the proportion of the revenues of the various provinces represented by Dominion Government subsidies?

DR. CARROTHERS: You mean grants of all kinds from the Dominion Government, or just the subsidies?

MR.STEWART: The subsidies.

DR.CARROTHERS: That is, the per capita?

MR.STEWART: Federal grants and the subsidies.

HON. MR.PATTULLO: Let me be clear on that, Mr.Chairman. It does not mean the contribution in the last four or five years from the Dominion Government for unemployment relief? I am under the impression you desire whatever we were given on the permanent basis plus the \$750,000 at the present time?

MR.STEWART: That is really all I want.

HON. MR.PATTULLO: What the percentage of our revenue consists of.

DR.CARROTHERS: As in the terms of Union?

MR.STEWART: Yes.

HON. MR.FARRIS: You were referring to page 5, Mr. Stewart.

MR.STEWART: Page 5, the second paragraph. Is it not a fair inference from that paragraph, Senator Farris, that British Columbia now makes no claim based on natural difficulties, or difficulties based on topographical or geographical position?

HON. MR.FARRIS: Far from it, Mr.Stewart.

MR.STEWART: British Columbia does not plead the lack of resources, or the unkindness of nature.

HON. MR.FARRIS: That does not mean that we are not entitled to consider our revenue in relation to our expenses. The income of this province must be considered in relation to the expense of administration, and that must apply, not only to the income that comes in as the budget, but the incomes of the individuals.

MR.STEWART: Are you willing to concede that if the topographical and geographical disadvantages tend to increase government expense that you could offset that, - that there should be offset against that the abundant natural resources of the province?

HON. MR.FARRIS: Certainly not.

MR.STEWART: In other words, are we to take it that you are to claim to be entitled to the natural advantages, but that you should charge to the Dominion the natural disadvantages?

HON. MR.PATTULLO: Mr.Chairman, may I interject there; to pursue that argument, the provinces of Ontario and Quebec, - we want to know what their natural resources are. I have not had the opportunity yet of listening to the Maritimes. I hope to give myself that pleasure this year; We want to know the same with regard to the Maritime

Provinces. In addition, it does not make any difference, merely because we have some resources, - it is no use without the application of labour to it, and because of the topography of the country it is more costly to administer it in this province than in any other province in Canada. And speaking generally now, we have essentially scattered settlements throughout British Columbia and beyond all doubt they cost more to administer.

HON. MR.FARRIS: I think your question is a confusion of natural resources with revenue. I would get the impression your question involves confusion between natural resources and revenue.

MR.STEWART: No. Natural resources, however, may be the main source of revenue.

HON. MR.FARRIS: That may be, but the utilization of natural resources, which is capital, for the purpose of revenue, we cannot be asked to do that, on any basis, for the administration of public affairs. Not only are we doing that today, but the Dominion is sharing it.

MR.STEWART: If you will turn to page 13 of part 2 of the brief, you quote near the bottom of the page from the Honorable Mr. Prior's statement in 1903:

"That the terms were not the terms the people of British Columbia asked for and believed were necessary for the adequate administration of local affairs and the development of the country."

Am I correct in this: That the only point in which the terms granted by the Dominion fell short of those asked for by the Province, was in respect of the assumed population, the province having requested an assumed population of 120,000, and the Dominion having allowed an assumed population of 60,000?

HON. MR.FARRIS: As of the date of Confederation?

MR.STEWART: Yes.

HON. MR.FARRIS: I would think that was right.

MR.STEWART: Have you worked out the difference that would have resulted in annual payments if the Dominion had acceded to the request of the province?

HON. MR.FARRIS: That is worked out in the brief filed, of 1934 and 1935, Mr.Stewart.

MR.STEWART: At page 34?

HON. MR.FARRIS: No, those exhibits for the years 1934 and 1935. My recollection is that the one for 1935 is practically the same as for 1934, with the figures brought up a year later.

MR.STEWART: The only essential difference would be in respect to the eighty cents per head subsidy, that is, \$48,000, and \$1,666,000 in debt allowances, is that correct?

HON. MR.FARRIS: I am not figuring them out, Mr. Stewart. They have been figured out. If you wish my assistants to figure them out I will do it again.

MR.STEWART: I would like to have it figured out and see if my deductions are correct.

HON. MR.FARRIS: The figures are filed already.

MR.STEWART: Will you indicate to me just where they are?

HON. MR.FARRIS: They are partly in the present brief. If you take my brief at page 13, they are taken from the exhibits of 1934 and 1935. The same thing appears in the 1935 brief at page 20.

MR.STEWART: I do not think it appears in that form on page 20.

HON. MR.FARRIS: You have a staff of experts, Mr. Chairman. I would suggest if there is further figuring to be done on that, - I am not here as a witness to be cross-examined, and do Mr.Stewart's figuring for him.If

I could have the same chance at him I would not mind.

THE CHAIRMAN: I was looking at another question, and I did not get the question. What is the question, Mr. Stewart?

MR. STEWART: I was asking Senator Farris what the difference per year would be if the Dominion had allowed the assumed population of 120,000 instead of 60,000; what difference per annum it would make in the payments, that was all.

HON. MR. FARRIS: I take it that Mr. Stewart has certain arguments to direct. He is now asking me to make his figures on which he can direct it. I object to doing that. I will give any information that I have, and I will get any information that I can get, but I do not propose to sit down here and do any figuring .

THE CHAIRMAN: Well, you can get that information for us, Mr. Farris.

HON. MR. FARRIS: I suggest if it is a question of multiplying figures that are already here, Mr. Stewart may devote his own staff to that purpose.

MR. STEWART: Perhaps you can have these checked for me. I am suggesting the difference would be \$31,310, per annum, after deducting the \$100,000 per annum allowed, presumably for railway lands. I would be very much obliged if you would have that checked and see if my suggestion is correct.

HON. MR. PATTULLO: May I ask Mr. Stewart, why you would deduct it when the \$100,000 was actually given, and no matter what interpretation anybody may put on it, the fact of the matter is it was given for those railway lands, and not as compensation at all by way of grants.

MR. STEWART: I understood the argument made on behalf of the province was that it was really not for the railway

lands at all.

HON. MR. PATTULLO: Mr. Chairman, if that is the impression, I want to correct it. That was a quotation from Maxwell's book, and it was accentuated also by our counsel, and I take that position on behalf of the Province; namely, that \$100,000/^{grant}was, as a matter of actual fact, made on those lands, and it should be so interpreted.

COMMISSIONER SIRCIS: Was not the word "Device" used?

HON. MR. FARRIS: The word "device" was quoted from Maxwell, sir.

HON. MR. PATTULLO: If an error was made, I do not hesitate to say in the course of the inquiry we will find some phraseology used that is not there. There is a lot of work in preparing anything of this kind. And if we find anything that is not in accordance with the information of the Government, I suppose the Commission will be glad to have that information corrected so that it may know exactly the stand we take in this province.

MR. STEWART: Senator Farris, can you give the figures as to the white population of British Columbia at the time of its entry into Confederation?

HON. MR. FARRIS: Yes, that is available. I do not remember exactly. It was about ten thousand, I think.

MR. STEWART: Turning to your brief for a moment or two, page 6, you make the suggestion that the Dominion is taking as income, revenues derived from the depletion of these resources; that is, forests, minerals and other natural resources. Is it not the case that allowances are made in the Dominion Income Tax for depletion of forest resources and mineral resources?

HON. MR. FARRIS: Yes, it was.

MR. STEWART: To the extent of the/^{value of}stumpage in the case of forest resources, and to the extent of 50% of

income in the case of mineral resources.

HON. MR.FARRIS: Mr.Chairman, if that is to be pursued I have a lot to say about it.

THE CHAIRMAN: Senator, if there is an allowance in the income of a percentage of depletion, then the burden of the income tax is not so great as appears on the surface.

HON. MR.FARRIS: On the basis of my argument, I think that makes no difference, and I am glad, if that is in the mind of the Commission, that Mr.Stewart has brought that up, because it will entail some detailed discussion, more than I think we have time to give it this afternoon, because it is an exceedingly important matter. I have considered that in its ramifications, and I am prepared to discuss it.

THE CHAIRMAN: We will be glad to hear you on that.

HON. MR.FARRIS: I would like to get the full picture of just what is suggested. I would like to examine Mr. Stewart on that, and ask him just what is the point he is making.

MR.STEWART: I will be glad to give you any information I have.

HON. MR.FARRIS: I would like it now. I would like to know what the suggestion is that is being made by Mr. Stewart in that connection.

MR.STEWART: Turning to page 13 of the brief, Senator Farris --

HON. MR.FARRIS: Before we leave that, Mr.Chairman, do I understand there is no point involved in that?

THE CHAIRMAN: No, I think there is this point: Taking mining, to illustrate, the burden of the income tax is not so great as it appears on the surface, by reason of the deduction which is allowed, so far as the

Dominion is concerned, I do not know what the province does, - in respect to certain classes of ore. You know that from your income tax returns, and anyone who has mining stock knows it.

HON. MR. FARRIS: I have the material for discussion of that on my desk and would be glad to give you some information upon it. I understand the allowance is one third, not fifty per cent.

THE CHAIRMAN: I think it has been changed. It was fifty, and I think it has been cut down to one third.

HON. MR. FARRIS: Then I understand that is the full extent of the suggestion involved in Mr. Stewart's question.

THE CHAIRMAN: Well, as far as I know it is.

HON. MR. FARRIS: I am asking Mr. Stewart. He is willing to give so much information, I would like to know.

MR. STEWART: That is the only reason I had for asking the question, Senator Farris, to modify a rather direct statement that the Dominion is taking as income, revenue derived from the depletion of these assets. I merely wanted to modify that to the extent of saying they did allow something for depletion.

HON. MR. MATTELLIO: I would like to interject here, apart from what might be thought on that particular point, it may be just a difference of opinion when you get through that argument. The important point is, the Dominion Government entered the income tax field, rendering it impossible for us to increase the taxes by reason of the fact our tax plus the Dominion tax would be too heavy a burden. That must be adjusted. Your Lordship was asking for some information this morning as to how we could decrease it. That is a matter which will have

to be worked out between the Dominion and ourselves.

THE CHAIRMAN: I do not want to enter into further discussion of that, Mr. Pattullo; we quite recognize what the position of the Government is on that. But as I understand Mr. Stewart's question, it is simply in reference to a fact which might clarify the extent to which the Dominion is depleting your resources by income tax in the province. It does not touch your main contention at all, Mr. Pattullo, it is only on that aspect.

HON. MR. PATTULLO: It is a fact that we are selling our capital assets. I have confidence in this province, notwithstanding that. We have timber in this province and we have minerals, in perpetuity, in my humble opinion, and both the Dominion and the province are now getting the benefit from the sale of our capital assets.

THE CHAIRMAN: I take it this is the point in Mr. Stewart's mind. A situation has been stated here which, in Mr. Stewart's view, should be clarified by certain additional information in order to make the record fair and complete, and he is simply asking for that information in order to make the record fair and complete. Now, as far as I know, - I have not discussed it with Mr. Stewart, - I assume that is the only purpose he has in view.

HON. MR. FARRIS: What I say is, when that information is given, I wish an opportunity to supplement that with certain observations I would like to make, and that is why I wanted to know from Mr. Stewart the extent of the implication involved in his question, so that one could meet the suggestion fully.

THE CHAIRMAN: Mr. Stewart can tell you. I do not know anything further than having heard the question, and I

assume that is all that is involved.

HON. MR.FARRIS: I understand from him what he means now.

MR.STEWART: Senator Farris, on page 13 of your brief, were you able to procure the figures as to the actual population of Saskatchewan and Alberta in 1906?

HON. MR.FARRIS: Professor Carrothers has that, I believe. I have not got my hand on it, but it has been ascertained and will be handed in.

MR.STEWART: I understand they show that the assumed population---

HON. MR.FARRIS: They support Dr.Dafoe's suggestion..

MR.STEWART: Then page 22, in your statement as to the total Dominion grants to the above five provinces, - that is, the total at the bottom of the page, Senator Farris, do you include the subsidies in lieu of lands granted to Manitoba, Saskatchewan and Alberta?

HON. MR.FARRIS: I am not able to say for the moment. I will give you that information on Monday morning.

MR.STEWART: And similarly, in connection with the total Dominion grants to Manitoba of \$34,000,000, whether they are included in that figure as well.

On page 23, the second paragraph from the end, you suggest: "If, for instance, in Alberta farming was conducted by large corporations embracing in one group a large number of the present individual farmers, the rate of taxation would be higher." Is not the answer to that a corporation basis for farming is uneconomical?

HON. MR.FARRIS: No, that is not the answer at all, Mr.Stewart, because I was not suggesting for a moment that farming should be so conducted. I was merely offering an explanation of why, in the two different economical systems in one province, the tax is collected, and in the

other, it is not.

MR.STEWART: Are you suggesting in that paragraph that if they did conduct their farming by large corporations that there would be an income on which a tax could be levied?

HON. MR.FARRIS: I am suggesting it/^{as} a theoretical test, to ascertain why it is that in British Columbia so much money is taken, and so little, comparatively, in the other six provinces. I say one of the explanations for at least part of the situation is the difference in method of operation. Now, I say if you had a thousand farmers in a corporation, assuming that each individual farmer was making as much profit as he makes as an individual, that the combined profits of the thousand would be the single profit of the corporation, and there would be a substantial tax on that money, whereas in the present system there is no tax. That is, there is no suggestion in that at all that there ought to be a change in the economic systems. That, of course, would be the height of absurdity.

MR.STEWART: As to the first paragraph, the paragraph just preceding the one to which I have referred, is it suggested that in Saskatchewan subsistence income is a large factor?

HON. MR.FARRIS: I would suppose that in any province where there is farming the subsistence income is a substantial factor. I did not have it in mind.

MR.STEWART: The reason I asked that was, in Saskatchewan evidence was laid before the Commission to the effect that it was not a factor.

HON. MR.FARRIS: That would be more direct information than I have. I would think that as you have the case you should give me information, rather than ask me the question. I would assume, notwithstanding that, speaking

generally, in Canada that is so.

THE CHAIRMAN: It would be so in a mixed farming community, but southern Saskatchewan has a cash crop, - largely a cash crop, being a wheat growing area. That was the evidence given to us.

HON. MR.FARRIS: I understood from you, sir, I think, in my first official interview after you were appointed chairman, that at some stage in these proceedings the information, - the assembling of different matters that is carried on by your organization would be available for the benefit of the province.

THE CHAIRMAN: Well, this is in the record of the proceedings in Saskatchewan, which you have. The Government receives a daily record of all the proceedings.

HON. MR.FARRIS: That is quite true, but in preparing a brief to have it ready for this, one could not undertake in advance to read everything that is in the volumes we have of our own, which have only been completed shortly, and follow with minute detail every reference that has been made to the board. I still think we would probably profit by having from your organization such information.

THE CHAIRMAN: You will get them as soon as they are ready, Senator. We hope they will be ready by the first of May. We are putting the strongest pressure possibly on the economist to get them ready.

MR.STEWART: At the top of page 21, Senator Farris, you list the grants to the various provinces. Can you tell me what classes of grants were included in the case of Alberta, Saskatchewan and Manitoba?

HON. MR.FARRIS: Well, I would prefer to give you that with the other information. Alberta and Saskatchewan?

MR.STEWART: Yes. Alberta, Saskatchewan, and Manitoba. What I wanted to get particularly is, whether the grants made in lieu of lands are included in your statistical

information. As regards the second table on page 21, Prince Edward Island of course, was not included as from July 1st, 1867, but only as from 1873. And similarly, the last four named in that list, their grants only date from the date of their entry into Confederation.

HON. MR. FARRIS: Yes, that is quite true.

MR. STEWART: I just wanted that brought out, as there may be a tendency to divide by 66, and arrive at a yearly basis.

Now, the table on page 20, you show the addition of \$1,940,365. assuming that there is a quinquennial census instead of a decennial census. Is that so, Senator Farris?

HON. MR. FARRIS: Yes, that seems to be the basis.

HON. MR. PATTULLO: We say at the top of the page:

"In the case of Manitoba, Saskatchewan and Alberta, this factor was recognized in the arrangement for determining the per capita grant, whereby an actual census is taken every five years, upon which an estimated census is based every two and a half years, and the allowance is re-adjusted accordingly."

It seems to be every two and a half years.

MR. STEWART: Have you had a comparison made with Ontario and Quebec?

HON. MR. FARRIS: The only figures I have in this connection are the ones that appear here.

MR. STEWART: May I ask why the comparison should be made with Manitoba, Saskatchewan, and Alberta, rather than with Quebec, Ontario, and the Maritime Provinces?

HON. MR. FARRIS: If you will turn to the three classifications of the provinces which I give in making other comparisons, you will get at least a partial answer to that, Mr. Stewart, - not as to the Maritimes, but as to

Ontario and Quebec. I will give you the reference to that, it is at page 22 of the brief.

MR.STEWART: The comparison with Quebec and Ontario is not carried out into any statistical results, is it?

HON. MR.FARRIS: In making comparisons of this type, the point that is made by British Columbia is this:

As a matter of fact, instead of making three divisions we might have made two divisions; Ontario and Quebec in the one group, and the other provinces as another group. There may be sub-divisions within that. The suggestion as far as British Columbia is concerned is this: That British Columbia, in the payment of income tax and other levies that are made, seems to be in the capitalist class alongside with Quebec and Ontario. Therefore, the way to approach that is to examine the incidence of the tariff and see how far that affects British Columbia, and explains the revenue taken from her, as it does explain, to a large extent, the prosperity of Ontario and Quebec. When, however, we come to deal with the six Provinces, - the three Prairie and the three Maritime Provinces, and compare it with British Columbia, they are more or less in the same position, although we say probably none of them are exactly in the same position as British Columbia. It is fair, therefore, to make these comparisons on that basis.

MR.STEWART: Now, again on page 27, you suggest that there has been a disproportionate development in Ontario and Quebec; that is, the first whole paragraph on that page:

"Manufacturing stimulated by the protective tariff is distributed to some extent among the several provinces, but there has been a disproportionate development in the central provinces of Ontario and Quebec."

Is that disproportionate development due to the tariff, Senator Farris, or to the location of these provinces, and their aptitude for distributing goods?

HON. MR. FARRIS: I would say due to both, Mr. Stewart. But I say that is immaterial for the purpose of this argument. The argument is, not the building up of the industries, so much, as what has been taken from British Columbia to bring it about. The argument should be placed on this basis: Ontario may have natural advantages which furthers industry. Now, we are not complaining about that, but when Ontario supplements those natural advantages by collecting the incidence of the tariff from British Columbia to advance it further, we say that is something that this Commission should take into consideration.

THE CHAIRMAN: It is now half-past four, and we will rise until 10:30.

HON. MR. FARRIS: I wish Mr. Stewart would give me a memo as to information of that kind that is desired, because it could be furnished so much more quickly.

THE CHAIRMAN: I think a memo can be gotten out.

HON. MR. FARRIS: Questions like this last one, I appreciate very much the opportunity of answering the questions, which gives me the opportunity to explain our position. But in these questions on details of figures, I think it is only fair that I should have a memo of what they are.

MR. STEWART: My Lord, I hope to be able to give to Senator Farris tonight a list of questions that I intend to ask on the resumption of the hearing. I can give them to him in writing, - possibly not until tomorrow morning, but not later than tomorrow morning.

THE CHAIRMAN: It is no answer, but when you are talking about the tariff levied on B.C. it was B.C. that helped

to impose the tariff on Ontario at the time when the majority of Ontario voted against the tariff. British Columbia voted unanimously in favor of it.

HON. MR. PATTULLO: What year was that, my Lord?

COMMISSIONER DAFOE: 1878.

THE CHAIRMAN: And 1891. Those were the years when the tariff was imposed.

HON. MR. FARRIS: Our presentation of this case has not given the suggestion that it is a position of retaliation; there is no factor of that kind intentionally in it at all. It is merely an analysis of the incidence of the tariff. Notwithstanding what some of the papers have said, we believe ourselves to be good Canadians, as good as in any part of Canada, and we are anxious to see Canada go ahead, - we are anxious to see our industries assisted in Ontario and elsewhere. But incidentally, in working that out, we believe that if recognition is given to the undue burden that is put on us in doing that, and if that is adjusted, it will not only be better for British Columbia but, in the long run, will be better for Canada as a whole, because of the wonderful resources we have. If something can be done to get our developments on a sounder basis, up to a certain point, British Columbia will go ahead in a wonderful way, and some day will be in the real contributing class, as is now unsuspected.

THE CHAIRMAN: What I am waiting for, Mr. Pattullo, is to see how you will apply that in the problem we have to consider in working out the financial basis of relations between the Dominion and the provinces. That is my difficulty, to see how you apply, in a practical way, to the problems we have to deal with, the briefs we have heard. Of course, from the standpoint of

taxation, I think it is a mistake to assume that any one province is in a happy state. We have had the same representations from every province. All taxations borne by the people of Canada today is most severe, and is hampering the development in many lines. One problem we have to consider is, is there any method whereby that situation can be in any way eased. Up to date we have had no suggestion that would indicate any reduction in public expenditure. There have been suggestions for the transfer from one body to another, and suggestions for increasing public expenditure, but no practical suggestions for reduction.

HON. MR. FARRIS: Mr. Chairman, I notice in one of our newspapers here a suggestion that the public are demanding a reduction in expenditures. I think an analysis of the testimony of every man in public life will be that what the public is demanding is increased services.

COMMISSIONER DAFOE: But they do not want it to cost them anything.

THE CHAIRMAN: You see, this must be borne in mind; the taxpayer, the man who bears the heaviest burden, is the one who is complaining. The man who has not got that heavy burden to bear is not complaining so much, and he is probably anxious for increased public expenditure. We will have the city of Vancouver here, telling us the situation, - the burden of taxation on real estate. We have had it all over Canada; it is most impressive. Unless conditions here are different from those in the east, it is operating as virtual confiscation of the property of citizens. But how is it to be reduced? It cannot be reduced by shifting the burden from one body to another, unless some new sources

of taxation can be found, or there should be some method of reducing public expenditure. Those are the most difficult problems we have to face, and it is very difficult to get light on them.

--- The Commission adjourned at 4:30 P.M. until 10:30 A.M. Monday, March 21st, 1938.

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF PROCEEDINGS

REPORTERS:

George Thompson
John Robertson
David Torry

VICTORIA, BRITISH COLUMBIA, MARCH 21, 1938.

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The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Parliament Buildings, Victoria, British Columbia, on Monday, March 21, 1938, at 10.30 a.m.

DR. JOSEPH SIROIS	}	
JOHN W. DAFOE, Esq.		Commissioners
DR. ROBERT ALEXANDER MacKAY		
PROFESSOR HENRY FORBES ANGUS		

Adjutor Savard, Esq.,	Acting Secretary
R.M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.,	Assistant to the Secretary.

Hon. Thomas Pattullo, K.C.,	Premier, President of the Executive Council
Hon. G.M. Weir,	Minister of Education Provincial Secretary
Hon. G.S. Wismer,	Attorney-General
Hon. A.W. Gray	Minister of Lands, Minister of Municipal Affairs
Hon. John Hart,	Minister of Finance
Hon. K.C. MacDonald,	Minister of Agriculture
Hon. F.M. MacPherson,	Minister of Public Works
Hon. J.W. deB. Farris,	Counsel
Dr. W. A. Carrothers,	Chairman of the Economic Council.
C. B. Peterson, Esq.,	Commissioner of Income Tax.

FOR THE BRITISH COLUMBIA UNION OF MUNICIPALITIES:

Mr. H. J. Sullivan

Solicitor

FOR THE CORPORATION OF THE CITY OF VANCOUVER:

D. E. McTaggart, Esq.

Counsel

FOR THE BRITISH COLUMBIA SCHOOL TRUSTEES' ASSOCIATION:

G. A. Grant, Esq.

Secretary

Parliament Buildings,
Victoria, B.C.,
March 21, 1938.

MORNING SESSION

The Commission met at 10.30 A.M.

THE CHAIRMAN: I understand, Mr. Stewart, you have formulated a list of questions which you have submitted to Senator Farris

MR. STEWART: Over the week-end, my Lord, a list of such questions as involved either governmental policy or research, was formulated and submitted to the government counsel. Is it your wish that those be referred to now?

HON. MR. FARRIS: Mr. Chairman, on Saturday, quite a formidable list of questions was handed to me with the understanding that I might be able to deal with some of them. Of course, I could not touch all of them, except upon instructions from the government. I have not the least idea of the government's position in regard to some of those questions which my learned friend has asked me. I have had no opportunity, as yet, to go into them, as I went home over the week-end. Our staff has been working on those questions, but I do not know how far they have progressed. My suggestion is that the entire matter stand over and in the meantime the Union of Municipalities of British Columbia, and their counsel, are here as well as the City of Vancouver and their counsel. I think, if that is satisfactory, to the Commission, and Mr. Stewart, I will now introduce Mr. Sullivan.

THE CHAIRMAN: Before that Senator -- the general procedure is quite acceptable to the Commission as we desire the government to have every opportunity of considering the question. They are all questions which have been raised elsewhere with the other governments and we would like to have this government's considered view.

While I have had an opportunity myself, to see those questions, my brethren on the Commission have not. I might say Mr. Stewart submitted these questions to me and I think it might be a matter of convenience for all concerned if they were put in the record. In this way everyone would have an opportunity of seeing them and considering them.

MR. STEWART: This is a list of questions on which the commission would like to have the views of the Government of British Columbia;

1. Certain information was asked at the hearing on Friday, particularly dealing with the various submissions made on behalf of the Province of British Columbia during the past 35 years. In particular the Commission would like to have copies of the memorandum prepared in 1912 referred to at page 17 of the Provincial brief, if such copies are available.
2. In the British Columbia brief the present basis upon which the census is taken was criticized. Should it be a quinquennial or decennial census?
3. What are the views of the Government as to the basic validity of the subsidy system? Is it a sound principle of government that one unit should spend what another unit raises? What is this Government's view as to the suggestion in Manitoba that subsidies should be capitalized in reduction of the debt of the provinces which would be assumed by the Dominion?
4. What is the opinion of the Government on the subject of conditional subsidies?
5. What is the view of the Government as to debt control and debt reduction? If some method of refunding is necessary, is this Province prepared to accept certain controls in order to assure investors of protection in the future? What should be done if

a province or a municipality finds itself financially unable to carry on? Should there be some machinery for readjustment?

6. What is this Government's view as to the need or advisability of a Grants Commission? If this Government is in favour of a Grants Commission would it favour the laying down of definite principles for its governance, or would it favour the Australian method of unrestricted power to investigate and report?

7. In the contentions advanced by the British Columbia Government it is stated that "for the past 70 years the adjustment and changes have been based on no sound governing principles". Upon what basis is it suggested that financial adjustments should be made? Should it be on a basis of population or should it be on the basis of fiscal need, as suggested by certain of the other provinces?

8. What is the view of this Government as to the suggestion advanced by Nova Scotia that there should be Dominion-Provincial conferences regularly convened at certain dates each year, and with a permanent secretariat for research and to prepare agenda?

9. What is the view of this Government as to the possibility of economies in tax collection, not only governmental economies but economies for individuals and companies? In particular, does this Government favour centralized collection of taxes similar to the collection of the Ontario income tax? What are its views as to a uniform Companies Act; uniform Security Frauds regulations, and uniform company returns?

10. Does this Government agree with the suggestion

that jurisdiction over insurance should be Dominion with the exception of the requirements of insurance contracts and the licensing of agents?

11. Is this Government in favour of the Dominion having jurisdiction both to negotiate and implement treaties with other countries, including international conventions, subject to the proviso that the use of the treaty-making power should not be colourable?

12. It was suggested by this Government that the Dominion should take over old age pensions and mothers' allowances. What is its view as to the most satisfactory method of administering old age pensions and mothers' allowances should the Dominion assume this jurisdiction? What is this Government's view as to the suggestion advanced by the Canadian Manufacturers Association to the Commission that old age pensions should be placed upon a contributory basis and apply to all citizens of Canada? Should the scale of pension be uniform throughout Canada, or should there be variations in accordance with different standards in different places?

13. Has this Government any suggestions to relieve the burden on real estate, and what is necessary to enable the Province to work out a solution with its own municipalities? What view is held as to the contention that Government property, particularly that held for business purposes, should not be exempt from municipal taxation?

14. Are there any Provincial statutes in British Columbia which discriminate against the products of other provinces?

15. It has been suggested to the Commission by Nova Scotia that there should be provision for delegation of powers between the Dominion and the

provinces. What view has the Government of British Columbia as to this?

16. What percentage in value of exports from British Columbia is sold

(a) In Great Britain

(b) In countries with which Canada has a trade agreement?

17. In the tables on page 21 of Counsel's brief

(a) are the subsidies in lieu of lands included in the class of special grants in the cases of Manitoba, Saskatchewan and Alberta?

(b) Is the amount of the awards of the Dysart Commissions included in the Special Grants to Saskatchewan and Alberta?

(c) Is the amount of the Turgeon award included in the special grants to Manitoba?

(d) Is the annual payment of \$100,000 to British Columbia alleged to be given as compensation for the railway lands, included in Special Grants?

18. Are municipally-owned public utilities in British Columbia subject to (a) Provincial taxation or (b) Municipal taxation? If not, is it the view of the Government that such public utilities should be taxed on a basis of equality with privately-owned utilities?

19. In dealing with the problems of transiency, is it the view of this Government that this Province should be entitled to charge to the Province of origin the cost of social services accorded to the transients in this Province, or only the cost of the social services he would have been entitled to receive in the Province of origin?

20. What is the view of this Government as to the

inclusion of certain fundamental rights of citizenship in the Canadian Constitution?

These are the original questions delivered and the following three supplementary questions were subsequently delivered to Counsel:

1. The Commission would like to have copies of the following documents produced for their inspection:
 - (a) Submissions made to the Dominion Government in support of the claim for better terms in 1900; 1901; 1903; 1905; 1906; 1908; 1911; 1912; 1918; 1924 and 1927.
 - (b) The correspondence which passed between the two governments in relation to such submissions and claims.
 - (c) Any correspondence between the governments in relation to the demand for a Commission to investigate the special claims of British Columbia.
 - (d) The protests made by the Province of British Columbia against the action of the Dominion in enacting or keeping in effect a Dominion income tax.
 - (e) Any resolutions of the British Columbia Legislature relative to (a) and (d).
2. Could the Government of British Columbia indicate its view as to the quantum of loss, if any, sustained by it by reason of the alienations made by the Dominion Government of lands in the railway belt or the Peace River block, or by reason of the Dominion's administration of those areas?
3. Is the Government of British Columbia in a position to indicate its view as to the effect on the cost of governmental administration in British

Columbia of the geographic and topographical difficulties of the Province?

I was going to say, my Lord, that those questions are such as involve questions of governmental policy or research. I have, of course, other questions which arise out of the brief, and upon which I would like to question Counsel.

HON. MR. FARRIS: I would suggest, however, that these other questions be read into the record too, so we could have the advantage of considering them in the meantime.

HON. MR. PATTULLO: Might I say I have not heard the latter questions until now; I would like the opportunity, before we get through, of interrogating someone having Dominion authority. I would like that opportunity before expressing a definite opinion on behalf of the Government of British Columbia.

My Lord, might I say this, this government realizes that your Commission is placed in a very difficult position. Our government desires to be helpful too, but to put interrogations such as have been put here before the government has an opportunity of discussing them with a higher authority as to what it might do -- why, it is absolutely impossible.

THE CHAIRMAN: This Commission has put these interrogations to the other governments; in most cases the governments have answered them, but in one or two cases the government has said it was not in a position to answer. Of course, if you told us you could not answer or you were not in a position to answer, this Commission would have to accept that statement. What we want is to get as much help as we can while we are here, we do not want you to do the impossible, but we do want all the help we can possibly get.

HON. MR. PATTULLO: We should be very glad to do it, but -- well, you must realize, sir, as you do, that this is a very large order, involving policy. Now, what is the right policy? The Commission does not know what is the right policy, I do not know what is the right policy, nor does the Dominion Government. The only way we will ever arrive at conclusions is by deliberation.

THE CHAIRMAN: You see, the situation is this, these are all questions which arise under our reference and upon which we want to get all the light we possibly can. We are asking for that light from all available sources.

We do not want to have these questions come up, as they have come up in other provinces, and not have the view of British Columbia upon them. We do not want anyone to be able to say, hereafter, "We did not have a chance to express our opinion upon that particular matter." We want everyone to have such an opportunity.

HON. MR. PATTULLO: But, my Lord, might I say this, these questions, involving as much as they do -- I am not finding fault with the technique of the Commission in its operation, but questions like this should have been submitted to us weeks ago in order that we would have an opportunity, as a government, of considering them. Since the commission has been here our government has not had a session.

THE CHAIRMAN: Mr. Pattullo, I should have thought all those questions were inherent in the order-in-council and the submission. I should have thought that those were the very questions which the government would have considered because they are questions which affect the relations between the Dominion and the provinces which we are called upon to study and re-examine. In the other

provinces, we did not submit any list of questions at all. I asked, or counsel asked, the premier, or whoever was speaking at the time their views upon these matters, and if they were not prepared to give them at the time, they said, "Well, we will give them before the commission adjourns." We have submitted more to you in writing than we have to any other government.

HON. MR. PATTULLO: I would say that I appreciate that very much, but I think, probably you should, in this regard, because this province has suffered more than any other province. I am referring now to the income tax. Every question which is asked here really gets back to the basic principle of the Dominion Government being an ogre -- I am not saying that offensively -- coming into our pantry where we have a full larder, everything in wonderful shape, then the government comes in and entirely pushes us out of our own pantry; that is the difficulty.

THE CHAIRMAN: We discussed that very fully last week and we know your contentions. We appreciate them, but this is our problem; ^{which} the Commission must consider in the course of its deliberations. If the Government of British Columbia has views on these questions, we would like to have the benefit of those views. If, however, you say you cannot give us your views, we will have to accept that.

HON. MR. PATTULLO: I can assure you, sir, we will go as far as we can, taking them in serriedim, at a later date.

THE CHAIRMAN: We do not want to be in a hurry about it, we just want to have your views upon the matter.

Then, I would like, when you come to make your final submission -- you have submitted claims under two categories. One is a claim to be placed on equality with the other provinces covered by No. 2 of your submission.

The other, is a claim for the readjustment of relations between the Dominion and the province on which you have given us certain reasons. Now, when you come to make your final submission, would it be possible for you to intimate which of your contentions fall under the first category. I have in mind this; you have an interim subsidy of \$750,000. and as I explained last week we must make a finding on the facts. We would be glad if you would give us information as to your claims or contentions which support that \$750,000, whether it should be more or less, whatever your contention is so that we would have it before us in definite form as distinct from your contentions which relate to a general readjustment of relations between the Dominion and the province. If you do not separate it, we have to try to do it. We would rather have your separation so that there is no misunderstanding and so that we get your views upon the matter; that is our whole idea.

HON. MR. PATTULLO: I think you are perfectly right in that, sir.

THE CHAIRMAN: Then, there is the suggestion, if it is feasible -- it is a matter about which I questioned Mr. Farris last week,--I would like, if you could help us, to have you take the matter of tariff, freight rates, and monetary policy and tell us how you relate that to the readjustment of financial relations between the Dominion and the province. You say you suffered by reason of the federal policy in respect to those matters. How are we to take it into account? What is the basis upon which we are to act in reference to that matter, assuming your contentions to be correct. We are only raising these questions in order to get the fullest information in connection with them.

HON. MR. PATTULLO: We will give consideration to that matter.

THE CHAIRMAN: Thank you Mr. Pattullo. Now then Mr. Sullivan.

HON. MR. FARRIS: I was wondering if Mr. Stewart would read into the record the questions which he has to ask Professor Carrothers.

MR. STEWART: Well, I have'nt them in a position, as yet, -- they are not properly formed.

HON. MR. FARRIS: I wonder if he would let us have them in typewritten form?

MR. STEWART: It would be much more difficult to do it with these questions than with the questions already submitted. When you have a document in the record and there is a question upon which you want further information, you have to ask for the information.

HON. MR. FARRIS: It would not be suggested that Mr. Stewart would be confined to those questions, but if he could give an outline of the substance of the questions he will get his answers much more expeditiously. It is understood he would not be confined -- one question does lead to another.

MR. STEWART: The difficulty is they are questions on the record and the answer may lead to another question.

HON. MR. FARRIS: That is quite true.

MR. STEWART: I would certainly be glad to discuss with Dr. Carrothers the line of questioning I have in mind; I have already done that to a limited extent, but I have not had an opportunity of formulating the questions themselves.

Before Mr. Sullivan proceeds, reservation was made in the record for the Martin Report, and it was called Exhibit No. 174. I wish to have that tendered now. It is the report of the Royal Commission on the Reconveyance of Land for British Columbia and it will be known as Exhibit

No. 174.

THE CHAIRMAN: Very well, Mr. Stewart, and now we will here Mr. Sullivan.

MR. SULLIVAN, Solicitor for the Union of Municipalities of British Columbia, was called.

MR. SULLIVAN: My Lord, I appear as solicitor for the Union of British Columbia Municipalities. I am accompanied by our Reeve, Mr. R.C. MacDonald, who is President of the Union, as well as Mr. Sewell.

I am instructed by the President, first of all, to thank you on his behalf and on behalf of all the other officers of the Union for the opportunity afforded the municipalities, through their Union, to make representations to this Commission. Submissions and representations have already been made on behalf of the province and with which we are in hearty accord. We are gratified that Senator Farris, in addressing you the other day, spoke of his wish to take us under his wing. Now, as municipalities we are of course, children of the provincial government, but the province defines our powers and limits our powers just as the province itself is limited. This is true, of course, with this exception, that in the case of the provinces there is a constitution, there is the B.N.A. Act to which reference may be made. The extent of our powers and our liabilities is not determinable because that depends entirely upon the provincial authorities, and what they think of it. Our responsibilities, financial and every other way, are laid down by the province whether we like it or not. Until a short time ago when a modicum of relief was granted to us, the municipalities levied, as municipalities, were called upon, in addition to paying for strictly local services,

to pay out for relief or furnish charity through grants, under twelve separate acts of the provincial government. The municipalities had no voice in the matter at all. Now, these twelve Acts are set out in the provincial brief in Part V, page 205. We did not set them out as we relied upon the provincial brief which refers to the problem of the municipalities in this province.

My Lord, and Gentlemen: Our chief source of revenue is, of course, a tax upon land. I think the statement was made here that 90 per cent of the revenues of the municipalities is so derived.

THE CHAIRMAN: What other taxes are imposed by the rural municipalities in this province other than the land tax?

MR. SULLIVAN: License fees, my Lord. In most cases there are public utilities, too, but the main source of revenue is, of course, the tax upon real property. Now, we represent, territorially, as municipalities, less than one half of one per cent of the area of the province, but we are in the first line trench of governmental worry and grief for this reason; over 70 per cent of the people residing in the province live within municipal areas. Those are the proportions.

THE CHAIRMAN: You represent the rural municipalities. Do more than 70 per cent of the people living within rural British Columbia live within the organized municipalities?

MR. SULLIVAN: Over 70 per cent reside in organized territory, in municipalities, both urban and rural.

THE CHAIRMAN: Can you give us the percentage residing within the rural municipalities, that is taking the rural population? Can you give us the percentage residing within

organized municipalities as compared with those who reside outside of organized municipalities?

MR. SULLIVAN: I do not have that figure at the moment, but I would be glad to tender it.

THE CHAIRMAN: It is just to give us a general idea of the taxation, because outside of these organized municipalities the provincial government has to carry the whole burden.

MR. SULLIVAN: Yes, my Lord, that is true. I have been handed by the Secretary a statement giving the information which you have just requested. No, I am sorry, it is not complete, but I will put that in, my Lord, later. It boils down to this, my Lord. It is admitted that we have found difficulty in trying to administer these services, social and otherwise, to seventy per cent of the people of the province, by a tax on real estate. This real estate consists of less than one half of one per cent -- and that is admitted by the provincial government. It is contained in the provincial government's brief -- and we particularly rely upon the frank statement of our premier which appears in his introduction in part I where he says, "With inadequate sources of revenue many municipalities find the burden greater than taxable property can bear." We submit that no truer words were ever spoken with regard to the position of the municipalities in this province today. You will understand that in our troubles, the Honourable the Premier, is at present holding a position of adverse interest.

THE CHAIRMAN: Pardon me, I did not quite hear what you said.

MR. SULLIVAN: Most of our troubles, as municipalities, bring us into conflict with provincial authority.

THE CHAIRMAN: I should have thought it would be cooperation.

MR. SULLIVAN: My Lord, under the power of the Acts to which I have referred, services which are strictly local services such as were in contemplation at the time the British North America Act was written--in addition you have a charge levied for the twelve social services which our taxpayer has to pay for, and the land cannot stand it.

THE CHAIRMAN: How does the tax rate run? What is the assessment, how many mills on the dollar?

MR. SULLIVAN: I cannot give the figures for the rural section to you, but I can speak with some authority for the city of New Westminster because I happen to be on the Council. Our rate is 56 mills; on one thousand dollars worth of property, you pay \$56.00. Out of that there is almost \$20 taken for education.

COMMISSIONER MacKAY: What is the proportion of value on your property? On what basis do you actually assess your property?

MR. SULLIVAN: At the actual value.

COMMISSIONER MacKAY: That is the value which it would bring in the market?

MR. SULLIVAN: The value which would exist if there was a market and you had a situation where one person was willing to sell and another person was willing to buy. We could not get any closer than that to it, what a willing purchaser would pay in the market.

COMMISSIONER MacKAY: Is that fairly general in British Columbia among the municipalities?

MR. SULLIVAN: Yes, I think it could be said to be fairly general. I am informed by the Honourable Premier that

Vancouver is in a different category, but under the Municipal Act, it is the actual value which is taken.

THE CHAIRMAN: Taking New Westminster, to which you have referred, Mr. Sullivan, generally speaking, the building is much more valuable than the land, is it not?

MR. SULLIVAN: It works out this way, my Lord, that our land assessment runs about \$8,000,000. and our improvements run about \$11,000,000.

THE CHAIRMAN: That is your buildings, is it?

MR. SULLIVAN: Yes, my Lord.

THE CHAIRMAN: So, to get at your tax rate on the basis of communities which tax both land and buildings and make a comparison, you would have to divide your rate by two, would you not?

MR. SULLIVAN: Yes, depending upon the percentage of improvement that you had.

THE CHAIRMAN: Yes, in some provinces they tax the whole of it, and in others, they tax only part of it.

MR. SULLIVAN: In the City of New Westminster out of that \$56.00 to which reference has been made, \$29.00 goes for education, and after the fixed charges are taken care of, there is only a matter of \$3.75 left for the regular services such as street maintenance, fire and police services, and other strictly local services.

THE CHAIRMAN: Is the amount which you contribute to schools a fixed amount? Has the Council any control over the school rate?

MR. SULLIVAN: I think it may be fairly suggested that the Council has no control over it. There is a provision in the School and Municipal Act for arbitration between the Council and the School Board, but it has not been used to any great extent. We are more or less in the position

of having to find the money which is required by the School Board.

THE CHAIRMAN: I assume the Council probably considers what the School Board asks for is necessary or it would use the arbitration clause.

MR. SULLIVAN: We have used it, but the School Board, I think, is doing the best it can.

THE CHAIRMAN: You have used it without success, I suppose?

MR. SULLIVAN: We have succeeded, my Lord; we saved \$12,000.00 on one occasion.

The Brief which is submitted to you was prepared by a small committee of our union, none of whom were lawyers, nor yet statisticians, and that is why, I think, the Brief can be said to be a marvel of brevity.

THE CHAIRMAN: You did not add, "And of common sense."

MR. SULLIVAN: I am coming to that, my Lord. It boils down, as you will see, to a very brief statement or submission which, I think, can be supported by statistics if your Lordship requires them. Certainly, I think, they will all be concurred in by the provincial authorities.

The first thing which is stated in the Brief is that the municipalities are a very important part of government. The second statement is, that the activities of municipalities are closer to our people than any other form of government.

THE CHAIRMAN: I think everyone would accept those two propositions.

MR. SULLIVAN: Yes, and I do not think they require any elaboration. The third statement deals with the matter of assessment. It deals with the question of tax sales,

lands being put up for sale and the difficulty in finding people willing to buy them even at the cost of only three year's taxes. I do not know that there is anything that I can add to that.

THE CHAIRMAN: Do you find a good deal of lands are sold for taxes?

MR. SULLIVAN: It varies, my Lord, in the different municipalities. If I came here, for instance, with a map of the municipalities and I coloured in red the parcels which had reverted to the municipalities for non-payment of taxes, it would startle you. However, to be fair, the way it works out at present, throughout the province, is between six and seven per cent of the municipal land is that which has been obtained through non-payment of taxes.

THE CHAIRMAN: What about the rural municipalities, is there a large amount of land being sold for taxes in the rural municipalities?

MR. SULLIVAN: Oh, yes, my Lord.

THE CHAIRMAN: The land taxes there, I understand—Oh, no, you were not giving us the land tax the other day, Mr. Hart. You were speaking of the land tax in the un-organized municipalities. Can you give us any idea of the land tax in the organized municipalities?

MR. SULLIVAN: That varies, my Lord, with every municipality; I do not know that any figure can be given. Dr. Carrothers reminds me, and I have said, I think, that we do rely upon the provincial brief, that starting at page 200 of the provincial brief and continuing for a number of pages, it separates each problem of the municipalities. Then, when we come to pages 219-220, I think you will get a great deal of information for which you asked

at that point. Page 220, Table 111, shows the population area and receipts of municipalities for the calendar year of 1931. It shows the population per acre of cities as 52.20, and the receipts per capita as \$42.70. The population per acre in districts is given as 0.128 and the receipts per capita as \$25.00. In villages the population per acre is 1.17 and the receipts per capita \$8.50. Table 111, shows the population residing within municipal limits, the area incorporated, the municipal population per acre, the receipts per capita, and the receipts per acre in 1935. The population per acre figures is given because it very strikingly indicates the different character of city, village and district municipalities. In city municipalities, the population per acre is 52.2 while in district municipalities it is only .128 and in villages, it is 1.17. The receipts per capita are of interest in that they indicate the relatively more important role that the larger municipalities play in their residents' lives through providing additional services of higher quality.

The receipts per capita in cities were \$42.70, in districts, \$25.00, and in villages, \$8.50. I think, my Lord, that you will find this part of the brief goes into detail on this question, and I repeat, that we, as municipalities, rely upon that portion of the provincial submission.

The fourth statement or submission made on behalf of the municipalities is that municipal responsibilities have been increased and no adequate means provided for raising the necessary revenues. Certain reasons are advanced in support of that statement, but you will note, that in 1922 the municipal committee of the provincial legislature in studying the problem of the municipalities'

made the definite recommendation that education and hospitals were beyond the power of the municipalities to carry to the extent to which they had been carrying them. The quotation is given of the recommendation of the provincial committee in the "Statement of the case of the Municipalities of British Columbia." The recommendation reads as follows:

"We recommend that the legislature and the government secure the fullest information before next session, and give serious consideration to the proposals for providing additional revenue to meet services above-mentioned, by imposing; A. A tax on gasoline consumption;."

I would like to remark here, my Lord, that the following year the provincial government of 1923-24 did adopt that recommendation to the extent of imposing a tax upon gasoline consumption. This tax has been imposed ever since, and last year it amounted to almost \$3,000,000. It is \$2,719,000, to be exact; it is almost \$3,000,000 per year. This tax is paid in a large part by the residents of the municipalities. This seventy percent of our people are those who are using gasoline, and I think this is a fair statement, to say that a large portion of the gasoline consumed and so taxed is consumed by vehicles running upon municipal roads, roads which the province does not keep up. The province pays for primary or secondary highways, and those are few.

There is the situation. There is almost \$3,000,000. which is largely contributed by the residents of the municipalities, but there is none of that money comes back to the municipalities as was recommended here. The municipalities do not get one cent of it. It has been

spent entirely, and we are told for thirty years in the future, upon provincial debt.

THE CHAIRMAN: As I understand your contention, Mr. Sullivan, it is this; the committee recommended the gasoline tax for the benefit of the municipalities, the legislature adopted the recommendation by proposing a gasoline tax and the province took the revenue for itself.

MR. SULLIVAN: Yes, that is the situation.

THE CHAIRMAN: I am afraid that is not a matter upon which we can pass. It is entirely a matter as between the municipalities and the province.

MR. SULLIVAN: I think that is our position here, anyway, my Lord. We appreciate the opportunity of coming here and simply telling you our problems. We realize the you are investigating the relationship between the Dominion and the provinces, and that we are only here upon sufferance.

Recommendation number five is that grants are not a satisfactory means of financing. As was stated in the provincial brief, it is necessary for the municipalities, if they are to carry on administering social services at all, in addition to the strictly local services, to have grants. However, there is no standard as to how much these grants should be, there is no statute to which we can go. It depends upon the whim of the provincial government, for the time being, in power.

HON. MR. PATTULLO: It also depends upon Ottawa.

MR. SULLIVAN: It also depends upon Ottawa. We are told by the province that it is broke, and we know it.

HON. MR. PATTULLO: I must interrupt there; we are not broke. We are far from it.

MR. SILLIVAN: I should not have said that.

THE CHAIRMAN: In dealing with this question of social services--are those social services not the ones which the people in the municipalities have asked the government to provide?

MR. SULLIVAN: I would say not, my Lord--I do not know, but it might be so.

I am going to take again, as an example, the city of New Westminster. This city has a population of approximately 20,000 people. I suppose our voters' list for provincial purposes, might be half of that or very close to it. These are people who are not taxpayers, just a floating population. These are the people who elect a government at Victoria. There are only 5,000 of them who are going to pay taxes in the municipality. The floating population can elect a government at Victoria and then have that government give them all the extravagant social services which one can imagine. Name them! Twelve different Acts which the provincial government, instead of taxing the floating population for the services extended, the provincial government has power to say to the municipalities, "Give us the money, you have to pay this cost".

THE CHAIRMAN: Have you any suggestion as to how that situation can be relieved? We had this suggestion made to us in one of our hearings. It was suggested that it was a great stabilizing influence upon municipal expenditure to have a limit on the amount which can be imposed on real estate in relation to the amount which was imposed upon other residents of the municipality. In other words, they had to increase the local income tax of the municipality in proportion as they increased the tax on real estate.

MR. SULLIVAN: I should imagine that would be exactly what we are trying to get at, my Lord.

THE CHAIRMAN: Is that something which you think is feasible? The theory presented to us was that all people enjoying the benefits of municipal government should share in its cost. If only those who held real estate were called upon to bear the financial burden, the result would be that the expenditure would amount to so much that real estate would be burdened beyond its capacity to bear. If the tax on real estate could only increase in proportion as the tax on income, all of the people earning an income-- then, there would be a more conservative attitude adopted towards public expenditure within the municipality on questions of social services.

MR. SULLIVAN: It might be, my Lord. I would suggest that you could accomplish the same result in this way; let the land pay for the things which are properly chargeable to the land, such as police and fire rates. These social services, such as education, unemployment relief, and that sort of thing must be chargeable to some other authority, that is our solution. Let us, as municipalities, tax our people and have them pay a tax on land which will take care of the things which land is properly suited to do. If the province's submission were acceded to, for instance, and the Dominion government were to take over the cost of unemployment relief, and if the province were to take over the cost of education, the other things would be no trouble to the municipalities.

THE CHAIRMAN: Well, of course, that second proposition, you would have to persuade Mr. Pattullo. We have no jurisdiction over that particular matter, about the province taking over the cost of education. I am putting the problem seriously, because it faces great difficulties, and your problem is no different from that of the cities and towns throughout the entire Dominion. Is there any method whereby the taxes on real estate may be kept within limits that real estate is able to bear, by a wider distribution of the tax burden? I am only raising the question to get the benefit of your views, if you have any on it.

MR. SULLIVAN: I have no instructions on that, my Lord, I am simply putting forward what has always been our contention, that if you allow land to pay for the things it was always contemplated that land should pay for, and leave out these other services ---

THE CHAIRMAN: I am not sure, Mr. Sullivan, that that is quite correct, - the things that land was always supposed to pay for. I am not sure that there was any strict line drawn. Has not public education, - public schools, always been financed by a tax on land, in some cases supplemented by a tax on income?

MR. SULLIVAN: But, my Lord, you will remember, if we go back just a very few years, the cost of education consisted of the maintenance of the little red school house, and you had public meetings at which you discussed the question of whether the school teacher would get \$150 or \$200, - not a month, but per year. That was your educational problem in those days, but it is a very different proposition today.

THE CHAIRMAN: The cost of living has gone up all along the line.

MR.SULLIVAN: Yes, my Lord, but I say we have advanced; the picture has changed, and today certain land cannot be made chargeable with the cost of education.

THE CHAIRMAN: Well, is this really the effect of your contention: The cost of municipal government, with the social services acquired, is beyond the reasonable capacity of the taxpayers to pay?

MR.SULLIVAN: Yes, my Lord. Just on that point, you have cited - and I will not bother to read it over,- you have cited there are our grants from liquor profits, pari-mutuels, motor licences, from the province, and then also a table showing the way in which the cost of unemployment relief to the municipalities has increased over the same period. I would like to follow that up with just a concrete example. I am taking the city of New Westminster, because I know these figures of the situation there is indicative of the situation elsewhere. On two items alone, my Lord, in 1930 we got in grants from the province- this is not set out in the brief - liquor, motor vehicles, and pari-mutuel grants, \$64,151. Then it dropped to \$56,000, to \$47,000 to \$27,000, to \$18,000. Then there was an increase last year, we were up to \$21,000 again, - there was a restoration of funds. Now, in the same period these grants are falling off, our costs of relief and social service have been mounting. For hospitalization and social service and relief in 1930 we had less than \$28,000. Then it jumped to sixty-eight thousand, ninety-eight thousand, a hundred and twenty-four thousand, a hundred and thirty thousand, although last year they were down again. The provincial government did come to our assistance somewhat in social service cost. But last year we had \$21,000 of grants against those extra burdens

totalling \$100,000. Now, take those two sets of figures, here is what I am getting at. In 1930 that grant of \$64,000, and with relief, social service cost of only \$28,000, we had \$36,000 of surplus on those two items with which we could go ahead with our education and other municipal matters. But now in 1936, with the grant reduced to \$21,000, and the social service and relief costs up to \$100,000, we are in the hole, and we have not a surplus, - we are in the hole to the tune of \$79,000. If you compute the difference between those two sets of figures you will find out that the difference of 1936 over 1930 is the huge amount of \$115,000. That means an extra per capita burden in our city of over \$23 a taxpayer.

THE CHAIRMAN : How have you met these extra costs; how far have you met them by taxes and how far by borrowing?

MR.SULLIVAN: Well, we have borrowed from the provincial government, and we have also passed up the payments into our sinking fund, we are going behind in our sinking fund in the city to the extent of about \$91,000 a year. We owe the sinking fund now pretty close to \$800,000.

THE CHAIRMAN: Have you borrowed the full amount of your relief costs or have you charged some of it in the general tax?

MR.SULLIVAN : Some of it in the general tax. The Premier points out that until a couple of years ago we carried a greater portion of that cost of relief than we are carrying today, that is why this figure is down. Today under our arrangement with the province, the province is paying 80% of the cost of relief administered to the employable, and we pay only 20%. In 1934, the difference per capita in our city on those two items alone

was over \$30, now it is \$23.

COMMISSIONER MacKAY: We have not come to item No. 5, Mr. Sullivan, but it seems to me to apply to the other items following on there. You say "Grants are not a satisfactory means of financing". Do you mean the grants/^{as} you have experienced them, or do you mean the grants in aid system is not a satisfactory means?

MR. SULLIVAN: We feel that if the province, or some higher authority would take care of those services that have no relation to land, we are not interested in any grants at all. Let the Government keep their grants.

COMMISSIONER MacKAY: Are you familiar with the English system?

MR. SULLIVAN: No, I am not.

COMMISSIONER MacKAY: A great many of the welfare services are administered by the municipality by grants in aid from the central authority.

MR. SULLIVAN: Do you know if those grants in aid are determined by statute?

COMMISSIONER MacKAY: They vary, as I understand it.

MR. SULLIVAN: There is our trouble now.

THE CHAIRMAN: You cannot tell how much you are going to get one year to the other; that is one of the points of your complaint, as I understand it, Mr. Sullivan?

MR. SULLIVAN: You see, it is possible, - well, I suppose there is nothing in the world to prevent the province of British Columbia - They are collecting their regular sources of revenue, and tomorrow morning there is nothing to prevent the provincial government from simply saying to the municipalities: "We are giving you no more grants at all, we will give you no educational grant, no grant at all; you take over the entire cost of education".

THE CHAIRMAN: They could wipe you out completely.

HON. MR. PATTULLO: But it would have to be by act of the legislature, Mr. Chairman.

MR. SULLIVAN: Quite.

COMMISSIONER MacKAY: I do not wish to be misunderstood there about the English system. Most of it is fixed by statute; there is some discretion, as I understand it, ^{given} by the central authorities with respect to some grants. Most of them are fixed by statute. If the municipalities provide services up to certain conditions, then they are assisted. Do you think that is a system of financing which is not really satisfactory?

MR. SULLIVAN: Well, of course, it would be all right if it were final, - if it were permanent. If you were going to re-write the B.N.A. Act, for instance, tomorrow, and instead of revising the powers and rights and the responsibilities of only the Dominion and provinces, if you went a little further and laid down just what was the relationship of the municipalities in the scheme of Government, that would be all right.

COMMISSIONER MacKAY: You do not think you can trust the provincial legislature?

MR. SULLIVAN: Well, I do not like to put it that way. But here is history: The Provincial legislature, without asking us anything about it, did put on certain social services and originally carried them, but then suddenly the whole cost is laid upon the municipality, and that is why we have municipalities that are bankrupt, and others tottering, and all of us having difficulty. Take it this way, my Lord: If a taxpayer chooses to vote for a money bylaw and to commit himself and his property to the payment of certain sums annually, that is one thing. But to have a floating population, as I said a

moment ago, do the voting, and to charge that against property, is an entirely different thing, and that is what is occurring with respect to social services.

Now, there is one statement in the provincial submission, and we endorse the statement as a whole. At page 200 this statement occurs:

"Many of the troubles of the municipalities may undoubtedly be attributed to the demand for local services beyond that which the community is really able to afford".

Now, I repeat here, an examination of the records will show that the trouble with the municipalities is not with respect to local improvement bylaws, or those extravagant things that they undertake by themselves. Our trouble is, as I say, with education costs and the social services.

THE CHAIRMAN : Unemployment relief stands in a special position, and is dealt with in the government brief in a special submission. But take the other social services, do you suggest they are beyond the needs and requirements of the people in the municipalities?

MR.SULLIVAN: I suggest, my Lord, that a good many of the social services are not properly chargeable to a man's real estate. Now, it is true that municipalities in the past looked after their poor and destitute, but as the Honorable Minister of Labour of this Government suggested to you at this hearing, that whole picture of destitution, if one is poor, is changed; you have a different type of indigent, whose number is multiplying, and it is too big a task for the municipality charged with the duty of taking care of the poor and destitute to take care of the needs of that fast-growing army.

Just on that point too, my Lord, I would like to make this point: That the municipality is recognized as

the proper agency for taking care of the poor and destitute, - and/^{has} been recognized by the Dominion as being incapable of doing so. Take the Old Age Pension Act, well there, the Dominion took over a form of destitution which previously would be the worry of the municipality. They took over the blind, a provision is made for that. That was formerly a matter of poor and destitute for the municipalities to look after. Another in the same category, my Lord, is the legislation for the "Burned-out Veterans".

THE CHAIRMAN: Well, of course, that is in a special class, whether it is right or wrong; whether the Dominion should take it or not, the Dominion has, but that is because they served Over-Seas.

MR.SULLIVAN: Well then, the blind, and even the unemployed, you see there is that admission, if it can be called such on the part of the Dominion authorities that this thing has grown beyond the capacity of the municipalities to deal with.

Then, my Lord, the next but last statement, No. 9:

"That exemption of Crown Lands places a great imposition on some Municipalities".

I note in the number of questions read by the counsel for the Commission this morning that is touched upon. The Dominion Government, of course, did remove the exemption on soldier settlement lands a few years ago and that did benefit some of our rural municipalities here, but it is, to a limited extent, The agitation for the removal of that exemption really arose in the prairie provinces and other provinces, and they did get substantial advantages which we did not get. But what we are concerned about here is, - that is federal, such matters as naval, military, penitentiary reserves, harbour boards, and that sort of thing.

THE CHAIRMAN: There is quite a difference, is there not, Mr.Sullivan, between property used for commercial

purposes and property for national defence. I can see there might be a clear distinction between the two classes. If harbour property is used for commercial purposes, you might say it should pay a tax; whereas, it is a different question to say that national defence should be taxed. Just give your reasons for your opinion.

MR.SULLIVAN: Well, you might have a rural municipality, such as Esquimalt here, - I have not got the figures on that. You see, in a municipality like Esquimalt, - as I say, I have not got the figures here. I wonder if I might be allowed to put in a memorandum on that, my Lord, because they have a striking case there which perhaps is unusual, but you asked how it would work out in certain cases, and I think if I got the data on that it would answer your question.

THE CHAIRMAN: We had the same problem in Halifax; very large areas used for national defence and the municipality counsel made the same suggestion as you have. Are there any properties within the municipalities represented by you which are public utilities, on which no tax is paid?

MR.SULLIVAN: Yes, I believe so, my Lord. That question, I think, arises very pertinently in the case of the City of Vancouver.

THE CHAIRMAN: Well, we will come to that later.

MR.SULLIVAN: The Esquimalt situation, my Lord, is this: They have improvements in the municipality of \$9,790,000, of which \$8,212,000 is exempt.

THE CHAIRMAN: That is the most striking figure of exemption we have had so far. I think Halifax showed over 50%.

HON. MR.PATTULLO: Of course, my Lord, I am not detracting from the able argument of my friend, but some

of this Government property is very beneficial to the district served. Take these buildings, for example. They are not being taxed by the city of Victoria, and if you remove the Parliament Buildings from the city of Victoria I think they would miss them very much.

THE CHAIRMAN: I submitted that same proposal to some of the municipal representatives in the east. Whether they would prefer to have the buildings, rather than have them removed. But it is the same problem everywhere. The answer they made was this; Mr. Premier, - whether it is a good answer or not it is not for me to express an opinion at the present time; they said "We must provide the necessary municipal services, that is, fire protection, police protection, roads, sidewalks and so on, - local improvements, and the Government did not even pay for local improvements in front of the Government buildings". Their contention in Halifax was that that placed an unfair burden on the rest of the property. That is the way they presented their argument to us.

MR. SULLIVAN: That is all I have to submit upon that matter, anyway, my Lord.

Now, the last recommendation here has to do with the setting up of a permanent commission, with the idea of thereby improving relations between the Dominion, the province and the municipality. That actually is a request, or a suggestion, that a commission such as that which we have here now be made permanent.

THE CHAIRMAN: Not this one.

MR. SULLIVAN: Or some other such body.

THE CHAIRMAN: Well, have you entered into the reasons for No. 10? Perhaps you have in the brief.

MR. SULLIVAN: No, my Lord, we simply suggest there that the usefulness of such a body is worthy of considera-

tion.

That is all I wish to say, my Lord, upon the municipality brief. If I were to stress anything, it is that feature of our wishing to get out of the situation where our land can be made taxable with the cost of services that we may not be in favor of. For example, if you were to pass upon a municipal bond today, you look into the formalities of the bylaw and see that everything has been complied with, but that, as a security, is entirely dependent, or may be, on the whim of a higher authority. You might lose your security by the imposition of taxes which the voter is not in favor of.

THE CHAIRMAN: Have you any questions, Mr. Stewart?

MR. STEWART: No, my Lord.

HON. MR. FARRIS: With reference to the questions asked Mr. Sullivan, I might give some references which will assist your Lordship. In Dr. Carrother's brief, you will find this on page 220 and 221:

"The division between the Provincial Government and the municipalities of the taxing powers given to the Provinces under the B.N.A. Act is a wholly local Provincial problem but it cannot be ignored in an analysis of the Provincial tax structure. A study of the taxing powers (and their incidence) of the Province of British Columbia becomes a study of the combined Provincial-Municipal tax structure".

THE CHAIRMAN: On page 220 is a schedule. Is it the schedule you are referring to; population of cities, population of districts, population of villages?

HON. MR. FARRIS: Yes, Mr. Chairman. You see, the districts are really rural. These are all organized districts, the three classifications of organized districts.

THE CHAIRMAN: The districts would be the rural municipalities.

HON. MR. FARRIS: Yes. On the next page you will see the receipts are also classified.

THE CHAIRMAN: Then have we the unorganized anywhere?

DR. CARROTHERS: There is a section commencing on page 234, which deals with the unorganized territory, - deals with the various types of taxes which are imposed; a section dealing with the tables showing the conditions of land taxes, delinquent taxes is on page 235, and school taxes given on page 236, in the unorganized territories.

HON. MR. FARRIS: While you are on your feet, Doctor, will you also call the attention of the Commission to the division between voluntary and compulsory expenditures by the municipality?

DR. CARROTHERS: On page 210 there is a statement which might be of interest to the Commission, dealing with the expenditures on the various types of services which the municipality performs for the community. The table on page 210 deals with the segregation for the year 1935, as an example. The expenditures are divided into three classes there; the mandatory, that is, services which the municipality must perform because of legislation; then voluntary, which also is based on powers granted to them but not mandatory; and overhead. You will notice the mandatory services in that year accounted for 36.4 per cent of the total expenditure of the municipalities in this province; the voluntary services, for 34.7 per cent; and overhead, 28.9 per cent.

THE CHAIRMAN: That would hardly seem to fit in with what Mr. Sullivan has suggested, as to the amount of the revenues of the municipality which is required for services which they must provide. What are the items falling under voluntary? Where is that?

DR. CARROTHERS: That is given on page 205. There is

a section of the brief there entitled "Services which the municipalities are required to provide". This was referred to by Counsel for the municipalities, as showing the legislation which provides for those mandatory requirements.

THE CHAIRMAN: Well then, what are the voluntary services? What is included within that?

COMMISSIONER ANGUS: Is not that in the paragraph above the table?

DR. CARROTHERS: Voluntary services, the actual kinds are given. I will just read that paragraph.

THE CHAIRMAN: I should hardly have thought that street, fire protection, matters of that kind could be said to be voluntary.

DR. CARROTHERS: I will get the page where it is actually given in detail. That is merely reference to the cost there. It might be slightly misleading. If you turn to page 209, the second paragraph from the bottom of the page, the total expenditure of municipalities in the province of British Columbia for the year 1935 was over \$28,000,000. Of that, education, including interest and the sinking fund provisions, cost \$6,486,037. Administration of justice cost \$1,366,262. Public health which includes statutory payments to hospitals, amounted to \$420,294. Relief cost \$1,999,121, and payments to Tranquille - which is a tuberculosis institution - amounted to \$87,149. Thus the total mandatory expense can be considered to be approximately \$10,358,863. This is a conservative estimate as a number of grants made by the municipalities to charitable institutions, largely necessitated by their being held responsible for the resident destitute poor and indigent, are not included.

"Much of the municipal expenditures are in the nature of overhead costs inseparable from the general expense of providing municipal government. Debt

(exclusive of debentures sold either for school or public utility purposes) costs the municipalities \$5,507,064. Council indemnities amounted to \$94,741 while salaries and other administration expenses were \$1,005,810. 'Other Expenditures' amounted to \$1,597,505. Thus there is a total expenditure of \$8,205,120 which cannot be classified as being caused by either mandatory or voluntary services".

THE CHAIRMAN: That is the cost of carrying on the municipal government, that is the administrative cost of government?

DR.CARROTHERS: Yes.

THE CHAIRMAN: Then, I see they included items that are not voluntary in the sense the municipality could or could not dispense with them.

DR.CARROTHERS: They are necessary services, sir, but they are voluntary in the purely legal sense.

THE CHAIRMAN: That answers my question, Dr. Carrothers.

MR.SULLIVAN: My Lord, on that point of those figures that were given to you, may I make this comment. If you would take the report of the Department of Municipal Affairs for 1936, and analyze there the expenditures of any one of the municipalities for education, relief and social service, and then put against that the grants received from the province, you will see the amount that must be raised from real estate for those services. Now, the total sinking fund shortage of all municipalities is about \$12,000,000, a little less than \$12,000,000, and we are concerned about it. I think about \$9,000,000 of that is the city of Vancouver. Taking all the municipalities together, their cost for social service, relief, and schools, was \$5,879,000. Now, the total

grants from the provincial government was \$3,099,000. That makes a difference of the cost to the municipalities, \$2,780,000, - almost \$3,000,000 per year.

COMMISSIONER DAFOE: Mr. Sullivan, I inferred from your statement that you did not think education should be charged against real estate. Where would the money for the schools come from?

MR. SULLIVAN: Well, that has been the subject, as I intimated, of a great deal of study in this province, including the municipal committee of the legislature here, and they have recommended that the scope of the provincial income tax be broadened, and that a tax on gasoline consumption be used for that purpose. Then we have also had two inquiries into school matters in the province; one report of H.B. King, of 1935, and another report, the Putnam Weir report. Without going into those reports in detail, I think that this is a fair statement to make; that it is recognized throughout the province that you have got to find some other source than land for this increasing cost of education.

COMMISSIONER MacKAY: You refer to the Harper report of 1933. What is that?

MR. SULLIVAN: That was a report by a commission which was set up to examine into the relationship between the provincial government and the municipalities. That is the type of commission that we, as municipalities, should really take this case to.

COMMISSIONER MacKAY: And you have here among the items you refer us to, a report of the Municipal Taxation Commission, 1933. Is that the same thing?

MR. SULLIVAN: Yes, the report of the Municipal Taxation Commission, 1933, is the Harper Report.

THE CHAIRMAN: Senator Farris, any further question?

HON. MR. FARRIS: No, Mr. Chairman. I simply want to make this observation: That while the problem of how fairly the allocation of burden has been placed between the municipality and the province is not the primary problem of this board, the common problem is, - everything that my friend has said and that Mr. McTaggart will say, - all contributes to the statement you will find in my sixth proposition, namely, that the burden has got us to a stage now where relief can only come from either a taxation that is intolerable, or from some outward source.

Mr. McTaggart is counsel for the city of Vancouver, and he will present the position of that city.

MR. STEWART: My Lord, the brief of the municipalities of British Columbia should be marked exhibit 181.

THE CHAIRMAN: Yes.

EXHIBIT 181 - Brief of the Municipalities of
British Columbia.

SUBMISSION BY THE CORPORATION OF THE
CITY OF VANCOUVER

MR. D.E. McTAGGART, Counsel for the Corporation of the City of Vancouver, was called.

MR. McTAGGART: My Lord, and members of the Commission, his Worship the Acting Mayor, J.W. Cornett, who is present in the absence of Mayor George Miller, who is attending a conference of mayors at Ottawa, has asked me to express the gratitude of the city of Vancouver for the privilege of being here, to the members of the Commission, and to the members of the Government of British Columbia, who made it possible.

Our case, speaking generally, enables us to say that we associate ourselves with the statements of Senator Farris, on behalf of the government, and of Mr. Sullivan, which have just been made. Our excuse for

preparing a brief independently, if one is needed, is that the city of Vancouver is the largest city of the province and is, in that sense, in a different category from that of the other municipalities whom Mr. Sullivan spoke for, and in the second place, because the city of Vancouver being under a special charter, it has its own statute. All the other municipalities in the province function within the limitations of the Municipal Act. We, like the city of Winnipeg, have our own charter, and to some extent we are perhaps in a different category for that reason.

THE CHAIRMAN: Has not the city of Victoria its own charter?

MR. McTAGGART: No, my Lord, they have special sections of the Municipal Act, which are from time to time expanded to take care of the situation there.

I propose, with the permission of the Commission, to stick rather closely to the brief, and if I may, I shall do as Mr. Farris did, -as I read the brief I shall comment, and where necessary, shall attempt to answer the questions that may be suggested by the members of the Commission.

"The City of Vancouver welcomes the opportunity of presenting the Commission a statement of the extremely unsatisfactory financial conditions under which it operates as a Municipality, required as it is by statute to maintain certain services, but with only limited revenue with which to carry out such services."

I may as well say at the outset, my Lord, that much of the material that I have here the Commission has already heard; Mr. Farris has dealt with many of the municipal problems, and Mr. Sullivan has dealt with them, and I can only ask forgiveness if I seem to repeat at times.

THE CHAIRMAN: Where you come to matters that are obviously repetition, you might skip lightly over them.

MR.McTAGGART: To continue:

"The City has been carrying on under those conditions for many years, but the situation has become more serious during the last five or six years, by reason of the continually increasing cost of Unemployment Relief, Hospitalization and other Social Services on the one hand, whilst on the other hand its one important source of revenue, the tax on real estate, has continued to decline through diminishing assessments, and the relinquishment of properties to the City as the result of tax sale proceedings."

I shall give the Commission some figures with respect to the seriousness of the situation that is there, in a moment.

"In what follows, no criticism, either express or implied, is intended so far as the Government of the Province of British Columbia is concerned. However serious is the City's plight, the Province has had its own financial problems aggravated as they are by many years of depression.

In the preparation of this statement, the City has had the benefit of the active participation of nominees of the Vancouver Board of Trade, the Canadian Manufacturer's Association (B.C. Division), the Vancouver Trades and Labour Council, the Vancouver Real Estate Exchange, and the Vancouver School Board".

THE CHAIRMAN: There should be a lot of concentrated wisdom in this brief, Mr.McTaggart.

MR.McTAGGART: It has taken us a long time to prepare, and I think does contain what your Lordship has just

suggested. The points that they desire to emphasize:

- (a) "That many of the services now imposed upon the City, mainly consisting of Unemployment Relief, Hospitalization, and Education, are in whole or in part, not properly a municipal obligation."

I come at once to a problem which you, my Lord, have mentioned this morning as being a difficult one, in answer to a representation made by Mr. Sullivan. Mr. Sullivan suggested to you there were definite categories of services. These are properly local and belonging to land. These are general and belonging, if you like, to someone else. Your Lordship indicated there is not a clear line drawn in which you can put those things, and I agree that many writers have grappled with it and many statesmen have grappled with it. When you say definitely that this is that sort of service and the other is that sort of service, that difficulty undoubtedly must be faced. While it is not in my brief, I was much impressed by your Lordship's suggestion of a brake by reason of holding the income tax rate in some way in step with the amount of taxes which may be put upon land. It seems to me that there is a possible system of dealing with the matter that will enable municipalities to get some relief from the very burdensome tax on real estate alone. If our legislators, when they step up the necessity to gather money from land by way of tax, at the same time will face the electors on the basis of an increased income tax, then I think you will have something that will more or less act as a brake, in respect of the very difficulties which we are facing.

THE CHAIRMAN: You think you can persuade the legislators to do that?

MR. McTAGGART: Well, I suggest, my Lord, it is not

for me to persuade them to do that. I think if your Lordship will find that is an adequate brake, and if your Lordship will find that not only in the Province of British Columbia but all across Canada, municipalities are suffering from this inability to gather from owners of land further taxes, and this is a means of solving that problem, then I think the problem is well on the way to solution.

- (B) "That costs of Social Service and particularly Unemployment Relief are absorbing an undue proportion of the City's annual revenues, and are tending to paralyze normal municipal services. Forced economies in these services are resulting in a huge accumulation of deferred maintenance in regard to the City's streets and bridges, waterworks, civic buildings, its Fire Alarm and Police Patrol systems and street lighting, its automotive equipment, its schools and library, in fact all those things that go to make a happy, progressive and prosperous City".

That you must have heard from place to place, all across Canada. There is nothing new about that. The effect is, by reason of our having to undertake this unusual load, our normal services, - the services that the citizens may be entitled to expect, are being impaired, they are not being given ; the ordinary things, such as streets and bridges, fire protection, police protection, schools, and libraries, which are very essential services, have had to be pared down to take care of this unusual load with which we have been saddled.

- (c) That real estate cannot continue to carry its present burden of taxation. The rate of taxation levied on real estate has caused widespread abandonment and has discouraged to a large extent

new construction and home ownership".

Now, the figures I shall give in a moment will indicate that over 85% of the moneys that the city of Vancouver is able to gather by way of taxes comes from land, which leaves practically nothing for anything else.

(d) That, unless there is an immediate redistribution and reallocation of powers and functions between the different units of Government, with an appropriate readjustment of their respective powers of taxation and of their financial relationships, the city cannot continue to carry on normally".

THE CHAIRMAN: Before you pass on, to make one point clear: You referred to the suggestion about the income tax as being my suggestion. I said it had been suggested to the Commission. I want to make it quite clear that I have not made up my mind on that at all, or on any of these matters until we hear all everybody has to say about them.

MR.McTAGGART: I did not intend, my Lord, to suggest it came from your Lordship, but your Lordship made mention of it here.

THE CHAIRMAN: I mentioned it as having been suggested to the Commission, and I want to get the benefit of Mr. Sullivan's view and I am very glad to have your view on it, Mr.McTaggart.

MR.McTAGGART: The next part of the brief deals with a statement showing merely the growth of the city of Vancouver from 1886, when it was incorporated as a village of 1000 population, to its present population of over 250,000, or 35.5 per cent of the population of the province. That is to say, more than a third of the population of the province of British Columbia is contained

within the boundaries of the city of Vancouver, and a short table is there, showing how that population has increased.

THE CHAIRMAN: What would be the population of greater Vancouver, if you included North Vancouver?

MR. McTAGGART: I think, subject to correction, another hundred thousand perhaps might be added to that, having some regard to the limit of the radius of the circle you described, of course.

THE CHAIRMAN: I suppose on enthusiastic days you would go as far as New Westminster?

MR. McTAGGART: Quite, my Lord. On the next page is a statement of the cost for the year 1937. This, my Lord, is a statement of the cost of our services for that year. Unfortunately, we were not able to pay all that cost, but the Commission will be interested in knowing what, in the year 1937, those expenses amounted to, and will see they are segregated, showing the percentage allocated to each one of the items. The first, relief and unemployment, takes up over 5% of our entire expense for that year. Hospitalization, over 3%; other social services, including a contribution to the Home for Incurables, our own public health programs, make up another 2½%. Then we come to education, which, making a deduction for assistance from the province, is 21% and over. Other municipal services, - that includes what I would suggest would be the normal functions of the municipalities, - the maintenance of streets, sewers, and that sort of thing, fire department, police department, parks, libraries, the administration of the city's affairs, and that sort of thing, make up some 37%. The last of all, debt charges, make up 28%. This makes a total for expenses for the year 1937 of \$14,670,000.

Services which, in whole or in part, are not a Municipal Obligation. And we deal first with relief and unemployment, hospitalization and other social services, that is the first of the groups mentioned in the table above, \$1,722,852.69.

"The City contends that the cost of maintenance of those unemployables whose condition can be attributed to the years of depression, as well as the cost of Unemployment Relief, should be regarded as a National responsibility, or in the alternative the Federal Government should make available sufficient additional revenue to the Province to relieve the Municipality in turn of all or a large part of this cost, and in support of this contention, sets out the following points:"

Now, these matters have been urged upon the Commission time after time, I shall not go over them in detail. It is pointed out that the Dominion Government has stepped into this measure with regard to Old Age pensions.

THE CHAIRMAN: I suppose it would not be suggested, however, the fact that the Dominion have rendered help in respect to certain matters which they claim fall under the jurisdiction of the province, by way of grants-in-aid, is not in itself a reason why they should assume further burdens? I think you would have to put your case on a higher ground than simply the ground the Dominion had come to the relief in certain respects.

MR. MCTAGGART: I think one may assume, my Lord, that whatever reasons led the Federal Government to undertake even a portion of the payment with respect to this or that service, whatever those reasons were, they are still cogent reasons and with increasing demands upon the municipalities and increasing demands from those municipalities

upon the provincial government, whatever reasons led them in past years to step into the field, those reasons are stronger to-day than they were at the time the entry was made.

THE CHAIRMAN: With the improvement in business conditions are not the reasons diminishing?

MR. McTAGGART: So far as the municipalities are concerned that improvement does not exist, my Lord.

THE CHAIRMAN: You mean in municipal finance?

MR. McTAGGART: In municipal finance, precisely.

THE CHAIRMAN: Your taxes in Vancouver are being paid very much better within the last year or two than the preceding five years, are they not?

MR. McTAGGART: Yes and no. It is difficult, my Lord, to make comparisons. That will appear in a moment when the figures are looked at, but our position is this: that our actual returns for current taxes are larger than heretofore but we are working in Vancouver under a ten-year consolidation plan whereby one may pay his taxes over ten years. The result is that it stimulates the payment of the current year's taxes and delays the payment of the arrears. We have larger current payments but smaller deferred payments so far as arrears are concerned. So that comparison cannot be readily made.

THE CHAIRMAN: But the general situation in Vancouver is better the last two years than it was in the preceding five years?

MR. McTAGGART: I cannot admit that, my Lord. I think our financial experts--

THE CHAIRMAN: I am not speaking of the municipal finances, I am speaking of the situation as to real estate and as to business.

MR. McTAGGART: I think business, my Lord, is appreciably

better, appreciably improved. As to real estate, the values of real estate have consistently diminished in that period. Our assessments are lower than they were at the time your Lordship speaks of.

THE CHAIRMAN: You are coming down from the high level of 1929 and '30 to perhaps nearer the present day level and your assessments may be going down, but the demand for houses in Vancouver is very much better this last two years than it was in the preceding five years?

MR. McTAGGART: Yes, I think that is true.

THE CHAIRMAN: Whether it be fortunate or unfortunate, I happen to know quite a little about British Columbia conditions, and I know that fact quite well.

MR. McTAGGART: Of course, that must be taken into account along with another fact, my Lord, and that is this: for a period of years, I do not know how many, there was practically no building, no improvements of any sort.

THE CHAIRMAN: Conditions were about as bad as they could reasonably be and carry on, we know that.

MR. McTAGGART: My view is, although your Lordship asked why, because the government has given a little they should be asked to give a great deal --

THE CHAIRMAN: No, I say because they did give something to assist in this period of depression is not in itself a reason that appears to me why they should continue; but your argument may be sound that the reasons which induced them to give originally still continue. That may be a perfectly sound argument.

MR. McTAGGART: Whatever they have given out of the need of the junior governments, that need I submit is quite as apparent as it ever was.

The second point has to do with the matter of the new Federal-Provincial Agreement as to relief, which your

Lordships have been told more than once will bear very very seriously upon the municipalities because of the new categories of unemployables as distinguished from employables and we feel that Vancouver has suffered particularly in that respect. We say that by reason of the climatic conditions at the coast particularly, many persons, to avoid the more rigorous winters in other parts of Canada, come here and presently we find ourselves loaded up with thousands of cases of indigency and so on which normally should not be the care of the city of Vancouver or the coast at all, and during the early days of the depression when the Dominion government was caring for the transient problem in respect to young men, no attempt was made to keep these people in separate compartments or separate provinces, and many of them were brought to the coast and then when the Dominion government stepped out of that picture these young people were left here and they are still here and they are still a problem. There are still hundreds of them, thousands of them, the responsibility of various municipalities, particularly the city of Vancouver, because as the Commission well knows, the tendency of these people is to gravitate to the cities and that problem has been very seriously accentuated in the way I describe.

THE CHAIRMAN: Just on that point, are there a good many men able to work and willing to work still unemployed in Vancouver city?

MR. McTAGGART: I would say yes.

THE CHAIRMAN: Have you the figures?

MR. McTAGGART: The social service administrator is here and with your permission I would ask him to answer that question categorically. I am sure he would be able to do so.

MR. W. R. BONE: As I understand it there are 8,000 single men in the city, many of whom are back from the work camps in the province and are entitled to deferred pay. There is probably a group of 5,000 at the present time, with some 2,700 handicapped who are physically fit. There is probably an accumulation of between 7,000 and 8,000 in the City of Vancouver at the present time, single men.

THE CHAIRMAN: And how are they being cared for? What is the provision?

MR. BONE: The men from the work camps are drawing their deferred pay, for work in the provincial camps for part of the winter, the pay was deferred and will be extended over until about mid May. The remainder are carried on a monthly basis by the City department on a participating basis with the provincial government.

THE CHAIRMAN: How far are these men who normally would be seasonally employed? You must have a very large number of men who go into the lumber camps in the Winter.

MR. BONE: I think the bulk of these men are the drifting type. I do not think you will find any large number will be absorbed here. They will probably go east when the warm weather comes and return in the fall.

THE CHAIRMAN: How far are they so called "white-collar" men and how far are they manual workers?

MR. BONE: About 80 percent labourers and about 20 per cent white collar type.

THE CHAIRMAN: Thank you. Mr. McTaggart, is this not also true? I have understood it was: You speak of the climate attracting these people and no doubt it has attracted a great many, but also has it not attracted to British Columbia a large number of people from the prairies

who desired to settle down and who brought with them their possessions, and during the past twenty years have made British Columbia their home? Have not a good many people moved in from the prairies, some with substantial sums and others a moderate competence, because they wanted to retire and preferred the climate here rather than the rigorous climate of the prairies?

MR. McTAGGART: I think that is very true but I do not see why they should be set off against these other people.

THE CHAIRMAN: No, I am only thinking that sometimes the bitter has to go with the sweet or you have to consider the two together. I do not know that you have suffered wholly from the migration. You have had some benefits from the migration, from the prairies as well as some handicaps.

MR. McTAGGART: I would say this, that the condition your Lordship describes with respect to the influx of profitable citizens, if we may call them that, probably ceased at about the time the other sort of influx became apparent. That is, when times became hard on the prairies these immigrants who were able to pay their own way stopped coming and for a number of years now we have had only, I think, the other sort of immigrants, so they are not balanced at any one time. The result is, I submit, with the conditions as they are, we do not have the benefit that your Lordship suggests.

THE CHAIRMAN: Have you any census in Vancouver of this seven thousand some odd men to indicate where they came from?

MR. BONE: No sir, that would be obtainable, I think, from the provincial government, because they have the census cards. I think the provincial government could supply you

with that information.

MR. McTAGGART: "Vancouver claims further that it should be relieved of a large proportion, if not all of the costs of Hospitalization and other Social Services. The costs of Hospitalization have steadily mounted as a result of the increase in the number of non-paying patients and the increased cost of commodities."

The next heading, my Lord, is that of education, and again I shall try to avoid repetition because I know the Commission has heard a great deal about this. The expense for that feature is just over \$3,000,000, net. The point made first is that the expense of education has tremendously increased by reason of high school enrolments, the number of pupils of high school age who now remain in our schools is out of all proportion to what it was some years ago. One will understand that the cost of educating young men and young women in our high schools is very much higher than that of the primary courses.

THE CHAIRMAN: That, of course, is a self-imposed obligation. It is because the province or the municipality has decided that these high schools should be established and maintained for the benefit of the education of the youth of British Columbia.

MR. McTAGGART: Not the city, not the municipality. The province imposes that upon us, sir.

THE CHAIRMAN: I suppose the city, though, would not suggest you have too many high schools?

MR. McTAGGART: No, I think the city is glad to give this means of education, but the city feels that the added burden should not be put again upon the land which no longer can bear that burden.

THE CHAIRMAN: Who would bear it? That is the problem.

MR. McTAGGART: Those who have the large sources of

income we think ought to find ways and means of dealing with it. and cannot bear it, that is our case, my Lord, that land cannot bear it. Now, beyond that I am not sure that I should venture, but that much I think I am able to establish without question, that land cannot; and at the moment the set-up of our government insists that land shall bear it, with results which in a moment shall show your Lordship are disastrous indeed. Then, it deals with the matter of technical and vocational education, of which your Lordship has again heard this morning. That is another of those things which the Federal Government has embarked upon to some extent, and we suggest, having so embarked, they should continue and carry on further.

THE CHAIRMAN: Of course, one must bear this in mind; the Federal Government has only been enabled to make the grants it has and carry on the business of the country by enormous borrowing. I think the federal debt of Canada has increased \$20,000,000. from 1930 to 1936, and will have increased in 1937, do not know how much. How, can that continue? It surely cannot continue indefinitely. Is it not the truth that all governments - Dominion, Provincial and Municipal - as well as private citizens, have been spending beyond their means? We have to pay our debts and try and curtail our expenditures so as to bring them within the limits of our ability to pay. Is not that the real situation?

MR. McTAGGART: That is the situation and that is the policy which it seems to me is necessary. But, your Lordship understands we have certain services, certain things in this country which must be performed, which must be done. Education one of these things. Now, your Lordship

says "Who will bear the cost of education?" Everyone is in debt. The Federal administration appears to be loaded with debt; the provincial administration has its difficulties as well. The services probably have to be performed; now, who can perform those? From the financial point of view the body who can best perform these services is the one that in extremes may find the money most readily, and I suggest to you the means of providing the funds where-with to carry on essential services are most likely to be found at Ottawa.

THE CHAIRMAN: One of the difficulties is that the authorities of the Dominion have borrowed so extensively and their liabilities are in such a position they cannot go into the public market to borrow. The Dominion, if it continued indefinitely at the present rate, would soon find itself in the same position, because it cannot continue to pile up deficits for an indefinite number of years without meeting difficulty. Now, how is the position to be met? Is there any method whereby public expenditure may be reduced, or what really are the taxes that should be imposed on the people of Canada, because the people of Canada have to pay them? There is no vault down in Ottawa where gold or other securities are kept of an indefinite amount to meet the expenditure; it can only be met by public taxation. What new form is public taxation to take upon the people of Canada to carry the added burden? I am mentioning it because that is the problem we have to consider.

MR. McTAGGART: That is the problem.

THE CHAIRMAN: If there is any help you can give, we want to get it, and we want to get all the light we can on the question.

MR. McTAGGART: I am complimented that your Lordship

puts the question to me, but representing the City of Vancouver as I do all I have to say is that if these services are essential, and I deem they are, then your Lordships will have to find some way of continuing them. They cannot be continued, I say, by a land tax further; so therefore that, as far as I am concerned, is the end of my submission as representing the City of Vancouver. The larger issue which your Lordship and the members of the Commission have to deal with, I am afraid I cannot help you with, but I see the importance of it and I see how very very difficult it is. And it seems to me, if I may say so with respect, that one must approach it in this way: what services are undoubtedly and radically essential? Having decided what they are, then we are faced with the condition, and the condition is this, that we have to find money to carry on those particular services.

THE CHAIRMAN: Quite true.

MR. McTAGGART: Now, who has the money to carry them on? It seems to me the approach must be made in that way.

THE CHAIRMAN: We all form part of the people of Canada.

MR. McTAGGART: Quite.

THE CHAIRMAN: And there is no government has any money except what it gets out of the people of Canada. That seems to be lost sight of very often. I am not suggesting you are doing it at all, you are not, but it seems to be lost sight of very often that the government can only get its money by taxing the people of Canada, and shifting the burden from one government to the other only means that the burden remains and the people of Canada have to pay it in one form or another.

MR. McTAGGART: That is like a man, my Lord, who has certain commitments and he has certain income and no more.

If he finds he is going behind I suppose he might trim his commitments in some way or another, one as between the other, and decide which are the essentials.

THE CHAIRMAN: Quite. That is apparently what a good many governments, organizations, institutions and individuals need to do if we are to get out of our difficulties.

MR. McTAGGART: At the bottom, my Lord, of page 6:

" The demand -- that is for assistance from Ottawa -- is emphasized when it is remembered that in the last few years young men have not been apprenticing themselves in the skilled trades, with the result that such trained workers as are now employed are almost uniformly men of fifty or over."

In a survey in Vancouver of those engaged in the building trades, carpenters, builders and the like, the average age of those now employed is fifty-six, which gives emphasis to the statement there.

THE CHAIRMAN: Is any work being done in Vancouver by way of training? I thought there were, under this new scheme recommended by the Unemployment Commission, plans being developed for a limited period of training for workers in skilled trades?

MR. McTAGGART: May I ask Mr. McCorkindale to answer that?

MR. H. M. McCORKINDALE, Supervisor of Schools:

There are under the act of 1931 at the present time adults from the ages 20 to 30 being trained, under the grant just started I believe the first of November of 1937. The point referred to here is looking after the ages before they become adults, up to 18 years of age. The school boards and municipalities of British Columbia must provide education for anyone who presents himself up to the age of 18, providing they have not already acquired a certain

standard which is equivalent to university entrance, compulsory to 15, must provide it to 18. The brief here refers to assistance which is now under the Act of 1918 from the Federal government towards technical schools and equipment in Canada, that was distributed through the various provinces, as you know.

THE CHAIRMAN: Yes. What I had in mind was this: I think I heard Mr. Purvis speak on the question when I was West three or four months ago. They told us in Nova Scotia that they were actually working on the problem, that is of instructing or giving practical training, in Nova Scotia it was in mining, so that young men could fit themselves to do mining work, six or eight months or a year's practical training. I was wondering if you had anything corresponding to that in Vancouver or in British Columbia.

MR. McCORKINDALE: The grant referred to is the education grant which came under the 1931 Act. The technical school in Vancouver City does provide that type of training but only to a very small percentage. We have a class for mine organization, that is they are trained to lay out in black and white the timbering of a mine, how to handle the tools and sharpen the tools and so on. That is a four-year technical course for the education, the machine shop has that particularly, and we have a similar course of those who train as cooks in a four-year technical course.

THE CHAIRMAN: Yes, it was something entirely different from that, I was speaking of in Nova Scotia and they carry it on in England also, where they take a plant, it may be, or some old institution and put men to work at it with a view to training them for certain occupations. In Nova Scotia they have taken an old mine and they have put these

men to work with some instructors, so they will know how to work in the mine, and it is a question of six or nine months training, and it was just a question whether you have anything corresponding with that in British Columbia. Doctor Weir, perhaps, could tell us.

HON. MR. WEIR: Yes, we have. We are giving training in mining. We believe the Nova Scotia experiment could scarcely be applicable here but we have a system of training we spend \$200,000 a year.

THE CHAIRMAN: If you think you are likely to need carpenters, masons and bricklayers and so on, why should you not have a training course for them?

HON. MR. WEIR: That is being conducted in Vancouver. That is, we are matching dollar for dollar to meet the grant from the Dominion government, I think about \$65,000 a year is being spent on that type of training for adults in the City of Vancouver.

THE CHAIRMAN: Yes, thank you. That should meet the situation, should it not, referred to on page 6 of the brief, that when normal times return you will have labour that is available for the skilled trades?

MR. McTAGGART: To the extent, my Lord, that it goes it does, I take it, tend to meet that problem.

THE CHAIRMAN: Yes.

MR. McTAGGART: The figures on the next page, page 7, indicate particularly the influx of immigrants from the prairie provinces. It is a statement of the new pupils enrolled in the Vancouver schools from September 7th to November 30th of 1937. 1061 came from the provinces of Alberta, Saskatchewan and Manitoba into our schools in that short period.

THE CHAIRMAN: That is in what period?

MR. McTAGGART: From September 7th to November 30th of last year, a little less than three months, you have an

influx in the schools alone of over 1,000 pupils from those provinces.

THE CHAIRMAN: Can that be correct, Mr. McTaggart? "The following figures showing the geographical origin of new pupils enrolled in Vancouver schools during the period from September 7th to November 30th, 1937." Would that be the period when the schools open? When do the schools open?

MR. McTAGGART: The schools open 6th of September 1937,

THE CHAIRMAN: And this is the enrolment for the Autumn?

MR. McTAGGART: Out of the 40,000 at the City of Vancouver schools 2249 were enrolled from these various places in that term. That is, you would not take the month of September because you would not get them all but over the first three months.

MR. McCORKINDALE: These were pupils who were never enrolled before.

COMMISSIONER ANGUS: What does "The geographical origin" mean? Does it mean the birthplace or the place where they immediately lived before coming to British Columbia?

MR. McTAGGART: The place they were living immediately before they moved to the City.

Then I come, my Lord, to the revenues of the city for the year 1937. Here will be seen the incidence of taxation upon real estate, the fact that 85.8 per cent. of the city's revenue for that year was gathered from taxes on real estate only.

THE CHAIRMAN: "Revenue from all other sources, including provincial grants" Do you indicate anywhere in the brief what the other sources of revenue are besides provincial grants?

MR. McTAGGART: I am not sure we do but I can tell your Lordship very briefly. We get a good deal of money from license fees. License fees are supposed to be regulatory in their effect and nothing more. In Vancouver we have frankly advanced to the position that we acquire revenue from the issuing of licenses and in that respect we get for licenses just over \$500,000 in the City of Vancouver in that year. Included also in that is poll tax. That is a \$5.00 charge on persons, males, who do not pay a tax on real estate, and under that Act the city is able to take over the benefit so far as the municipality is concerned.

THE CHAIRMAN: That \$5.00 poll tax applies to all who do not pay taxes on real estate?

MR. McTAGGART: Yes, my Lord, all males that do not pay taxes on real estate.

THE CHAIRMAN: And what does that bring you in?

MR. McTAGGART: That brings in \$120,000, my Lord. Those are the main things.

THE CHAIRMAN: I should have thought you would have more than 25,000 males in Vancouver who do not pay taxes on real estate?

MR. McTAGGART: Of course, we are not able to collect from those who are not employed.

THE CHAIRMAN: No.

MR. McTAGGART: I think I can say with safety that our collection of income tax is considered to be very severe indeed and very general and very certain so far as our particular municipality is concerned. I think we make the most of it, sir.

THE CHAIRMAN: Of course this might be heads of families and so would represent a substantial portion of the population.

MR. McTAGGART: But those are the main sources of our revenue, and in 1937 that was \$3,000,000 less than was necessary

to carry on, that was to meet the normal requirements of the City. If the total amount necessary had been levied an additional 13.4 mills would have been required or a total of 58.47 mills, or nearly 6 percent. of the assessed value.

THE CHAIRMAN: Your tax rate in Vancouver is how much?

MR. McTAGGART: Our tax rate at present is 48.635 mills.

THE CHAIRMAN: And what do you do about improvements?

MR. McTAGGART: We tax 50 per cent. of the improvements only. That is our position by statute. We are not able to tax more than 50 per cent.

THE CHAIRMAN: That is a very high tax rate, if you assess at approximately the value.

MR. McTAGGART: Yes, the assessing in the City of Vancouver, my Lord, is done by an independent body of Assessment Commissioners who are sworn to bring in the values of real estate and improvements separately at their actual cash value.

THE CHAIRMAN: You say 50 percent. on improvements. Have you the figures of land and improvements?

MR. McTAGGART: I have them here, my Lord.

THE CHAIRMAN: We will come to them later, if they are in the brief.

MR. McTAGGART: Yes, they are further there, my Lord. But there has been some misapprehension as to the fact that the city's assessment has been falling for some years now, the suggestion being that the city is responsible itself in some way for the falling assessments. The charter makes it quite clear that the assessment commissioners are independent and not to be controlled in any way by the city Council and must make a sworn estimate, as I say, of the value of every property within the city.

THE CHAIRMAN: There is no question, the value of real estate in all the cities of Canada, speaking in a general way, has fallen quite markedly in the past seven years.

MR. McTAGGART: On page 8, my Lord:

"The taxable assessed value of real estate in the City has dropped \$58,430,782 since 1932, representing an annual loss in revenue of \$2,625,295. The City of course has no control over the assessment; that matter is, under the City Charter, in the hands of an independent Assessment Commission.

Properties which have fallen to the City as a result of tax sale proceedings are assessed at approximately \$15,000,000." -- That is about 5 per cent. of the whole taxable area in the city -- "and each year further properties come into this category."

That, my Lord, is an answer to the question suggested a moment ago, whether land tax in Vancouver is onerous or whether it is not.

THE CHAIRMAN: Have you any figures on how much taxable property you have? How much would be vacant land and how much land with buildings?

MR. McTAGGART: That will be provided presently, my Lord, if I might come back to it. The total tax arrears at the end of 1937, including arrears represented by tax sale properties which have fallen to the city, amounted to practically \$10,000,000. So your Lordship sees how seriously that load bears upon the real estate situation in the City of Vancouver.

The next item shows that while the city has been crowding up its tax rate these revenues have nevertheless fallen from year to year and in that same time the provincial revenues apparently have been consistently improving.

THE CHAIRMAN: You will have to make Mr. Hart Finance Minister for Vancouver and see if he cannot pull your revenue up there also.

MR. McTAGGART: We should be very glad, sir, if we had his services. The next item is taxation of government owned properties, which has just been the subject of discussion by Mr. Sullivan and I do not need to read that further.

THE CHAIRMAN: What are the facts about the government owned property in Vancouver?

MR. McTAGGART: In 1938 we shall lose about half a million dollars because government owned properties are exempt from taxation inside the city.

THE CHAIRMAN: Are any of those properties used for business purposes?

MR. McTAGGART: Until this year, when the provincial legislature gave us an amendment to the Charter, lessees of crown lands practically escaped taxation entirely. We have now an amendment which was made only this year, which puts us on a par with other provinces in that respect, and now lessees of crown lands that are engaged in commercial pursuits pay taxes as if they were themselves the owners of the property.

THE CHAIRMAN: Have you any public utilities in Vancouver that do not bear municipal taxation?

MR. McTAGGART: The Vancouver Harbour Commissioners, the National Harbour Board, have very extensive waterfront properties in the City of Vancouver and as long as they are used for their purposes, they are quite free of taxation. Heretofore if they were leased to private individuals, like grain elevators and that sort of thing, we were unable to reach them, but from now on under the new legislation, we are able to tax, as if they were the owners, those who

are engaged in commercial pursuits and who are the lessees of the land.

THE CHAIRMAN: That should make an important difference in the exemptions.

MR. McTAGGART: The half a million dollar figure that I have mentioned takes that into account, my Lord.

"On the other hand the City is called upon to pay taxes levied by the two Governments such as sales and excise taxes, gasoline tax, motor license fees, etc."

And then an example is given that is brought home very closely to the City Council because we have just installed it in the administration of the city.

"As an example, the City of Vancouver, operating its own mimeograph and multigraph equipment -"

That is the equipment for producing documents such as this brief and other documents of this kind. -

"as an economy measure for the benefit of the taxpayers, is compelled to pay sales tax on the 'cost of materials plus 220 per cent'."

THE CHAIRMAN: Why 220 per cent?

MR. McTAGGART: That is arbitrarily fixed in the regulations under "The Special War Revenue Act" for that sort of commodity, that is all. The figures were so startling that they thought they ought to be mentioned.

THE CHAIRMAN: You do not want the Dominion to increase its Sales Tax?

MR. McTAGGART: No, my Lord, not that.

Then next is set out a statement of what is called the problem showing what money is needed to carry on and how far we fall short.

"The expenditure for the year 1937 after being reduced to a minimum, amounted to \$14,153,860.56

\$14,153,860.56

"To arrive at what might be considered a basis of operation with the most rigid economy, there should be added the sum of

2,000,000.00

Making a total of \$16,153,860.56

The total revenue from all sources amounted to

13,202,063.11

Leaving a shortage of \$ 2,951,797.45"

That the city needs to carry on normally and with the most rigid economy.

THE CHAIRMAN: Your actual deficit was the difference between \$14,153,860.56 and \$13,202,063.11, was it?

MR. McTAGGART: Yes, my Lord.

"This sets out the situation only as it appeared for the year 1937. It should be remembered, however, that the financial stress has continued for several years, with the result that the City has accumulated deficits amounting to \$6,734,481.67, made up as follows -"

Then that is broken down in these figures:

"General Deficit, mainly unemployment relief, \$ 2,679,103.87
Sinking Fund instalments and Interest Deferred 3,272,148.05
Superannuation Fund Deferred 783,229.75"

Now I should mention there our position with respect to sinking funds. We are by statute excused from levying for sinking fund. We were so excused last year and partially the year before and again this year we are excused from levying for sinking fund.

THE CHAIRMAN: What is your total funded debt?

MR. McTAGGART: \$72,000,000. So far as the superannuation fund is concerned, that is a provincial measure which the city was obliged to enter into and which it has not been able to keep up to the expenditure indicated here.

THE CHAIRMAN: What does that superannuation cover?

MR. McTAGGART: For employees of the city administration,

including, I think, firemen, police and the usual city employees.

"Vancouver's immediate problem is therefore to secure sufficient revenues to meet the cost of all essential services, and at the same time lift some of the tax burden now being borne by real estate." And then some remedies are suggested:

"(1) The City to be reimbursed for all expenditures incurred for Unemployment Relief."

We stress, that, my Lord for this reason, that it has been understood in some quarters that those municipalities which borrowed in order to carry on unemployment relief should be relieved of that burden at some time, that is to say, the borrowings are not to be repaid. However true that may be I do not know but the City of Vancouver has not borrowed, the City of Vancouver on the other hand has paid its way but has had to dip into the sinking fund to equalize the position. Now, what the city is anxious to have is this: if the borrowings which other cities have undertaken are to be forgiven, then we must, in order to keep even, be able to put the similar funds back into our sinking fund.

"(2) The City to receive substantial assistance towards the cost of education.

(3) The City to be relieved of all or a substantial part of the cost of Relief, Hospitalization, Health and other Social Services.

(4) The Dominion and Provincial Governments to pay Municipal Taxes on all Government owned properties, or alternately to relieve the City from liability for the payment of all and any taxes levied by the Governments.

(5) No additional services to be imposed on the City

"without also at the same time making available the means of financing the cost of same."

That last one, my Lord, ought to be fundamental.

THE CHAIRMAN: That is a matter between yourselves and the province, I am afraid we have no jurisdiction over that.

MR. McTAGGART: Well, I shall address an argument in a moment indicating nevertheless that we hope that some notice will be taken of our plight in that respect.

The conclusions are again emphasizing the seriousness of our plight. Real Estate cannot bear the present load with diminishing assessments and taking into account the last three or four years with respect to what we have been able to collect, the thing becomes impossible. Our ability to get money is decreasing, our debt is increasing. Your Lordship sees how serious a pass we have come to.

THE CHAIRMAN: It is a very difficult situation, there is no doubt about it, Mr. McTaggart, and we have found the same situation in several of the cities from whom we have already heard representations.

MR. McTAGGART: I suggest that municipal institutions are undoubtedly part of our government in Canada. The British North America Act allocates them, under Section 92, I think it is, to the provinces, but they are a fundamental part of our set-up and as somebody has said already they function more intimately and more closely to us than the senior governments do. They function continuously. The senior legislatures sit perhaps for a month once a year and very often at very great distances from us but our legislature in Vancouver, the City Council, is functioning from day to day, in full view of the people who are watching them and our executive is constantly at work in the City of Vancouver. They can be seen from day to day, by the

citizens. It is part of their daily habit to see these people. Our judicial functions, so far as the municipality is concerned, the citizens' magistrate is sitting every day and one can see what he is doing. Now, that is a function of democracy that I suggest is very, very important and in these days of leaning towards totalitarianism, I suggest to this Commission it is desirable that democracy in the lessor, so to speak, should continue, that nothing should be done^{to}/stop that functioning of democracy in the way I have described. Now, there is a danger in this province, at least, and I think all through the west there is a danger of a cessation of those functions and I suggest to you in all seriousness that this Commission ought to consider whether the cessation of municipal functions in Western Canada or indeed in all Canada is not something that has a radical bearing on the very problems that are to be settled by this Commission. In the area between the Fraser River and the mountains at the north of the City of Vancouver are six municipalities. Three of those are in the hands of receivers, the other three are struggling, Vancouver is one of them. That is the area of the province which is most thickly populated, and that problem is not localized because Prince Rupert in the North and Fernie on the Eastern edge of the province are also in the hands of receivers. It is not localized in the province, and I submit there is a real danger that municipal institutions as we know them may not continue doing business. Now, I need not argue they are worth saving.

THE CHAIRMAN: No, there is no question as to the value and importance of municipal institutions in the government of the people of this country and of the importance of their continuing.

MR. McTAGGART: They are the school very often from which

our public men come. Mr. Chamberlain came from the municipal institutions of Birmingham. Mr. Pattullo here came from the Mayor's chair at Prince Rupert. These are the cradles, so to speak, of public men and I suggest to the Commission there is a fundamental principle which ought well to be guarded in considering the future of democracy because if municipal institutions are to be stifled, then we have not that intimate contact with democracy as we see it from day to day which our citizens have. And if you agree that the municipal institution is to survive as we have it, then means will have to be found to permit it to continue, because it is being stifled to-day in Western Canada and if it is to continue some means will have to be found of alleviating the situation, otherwise municipal institutions will continue to deteriorate. And I think you may expect, if the condition continues, the men you want to get on municipal councils will hesitate to take up that work. The result, as I see it, is a possible break-down within an appreciable time unless some relief is given to municipal institutions in Western Canada.

THE CHAIRMAN: It is a very important presentation you have made, Mr. McTaggart. It is now one o'clock and there may be some questions which Senator Farris or Mr. Stewart may wish to ask.

MR. STEWART: I suggest this brief be marked Exhibit 182.

THE CHAIRMAN: Yes, this Brief will be marked Exhibit 182. We will adjourn now until 2.30 P.M.

EXHIBIT NO. 182 Submission by the City of Vancouver.

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

THE CHAIRMAN: Mr. McTaggart, there may be just one or two questions which we would like to ask you. There is one question which I would like to ask in reference to the number of school children who have registered for the first time, from September to November. Have you any figures to indicate whether any of those families from which the children came were on relief, and if so, how many?

MR. McTAGGART: No, I have not that information, Mr. Chairman. I doubt whether I can get it, but I should like to have permission to attempt it and if I can, file a memorandum later.

THE CHAIRMAN: Yes, we would be very glad to have it because the figures are very striking and it has a very strong bearing upon the question of transiency which was raised by Senator Farris in his Brief. I would be glad if you could give us information on that point.

MR. McTAGGART: The point is to segregate these new comers as between those who were on relief and those who were put there?

THE CHAIRMAN: You say here that 1061 pupils entered the schools of Vancouver for the first time from September 7, to November 30 who came from Alberta, Saskatchewan, and Manitoba. Now, how many of the families from which these children came were on relief. We do not suppose they were all bank managers moving in or officials of other companies. If you can give us that information it will be very helpful on the question of transients.

MR. McTAGGART: That is, on relief in the province of origin?

THE CHAIRMAN: No, on relief after their arrival here.

HON. MR. PATTULLO: We will certainly be glad to try and furnish that, but it would depend upon how long they had been here. We fixed a certain date, then we changed the date from which we are willing to give relief.

THE CHAIRMAN: How long must they be in the province before they get relief?

HON. MR. PATTULLO: I think it is one year.

THE CHAIRMAN: That is true, it would make it difficult to get the information.

HON. MR. FARRIS: Someone has already stated, I have forgotten who it was, that they will put up with considerable hardship for that year in order to qualify.

THE CHAIRMAN: If you have any information as to whether they were on relief before they came, at the place of origin, you might give us that. The same point was made by the city of Winnipeg, the city of Regina and the city of Saskatoon, as I recall it. The point there was the moving in from the country to the city where there was a higher scale of relief. These places were objecting to the increased cost of relief by reason of this fact.

MR. McTAGGART: Might I file a memorandum, then, with respect to that?

THE CHAIRMAN: Oh yes, we would be glad to have it.

COMMISSIONER DAFOE: You say in your brief, "That many of the services now imposed upon the city, mainly consisting of unemployment relief, hospitalization, and education, are in whole or in part not properly a municipal obligation." You include in that, education. If a portion of the educational burden is a municipal obligation, how would you assist in collecting it, if you did not put it in the tax rate?

MR. McTAGGART: That is assuming it could be segregated?

COMMISSIONER DAFOE: Yes, at present it is a levy on the tax rate, and there is objection to it on the grounds that it is not properly a levy on real estate. If you do not put it there, how would you suggest it should be levied, that is, if the city accepts responsibility for a percentage of educational costs?

MR. McTAGGART: I think, sir, in that case it would be a provincial matter, so far as the excess is concerned. It would have to be the subject of a grant, or something of that nature.

COMMISSIONER DAFOE: The portion which you would regard as belonging to Vancouver could still come out of the tax rate ?

MR. McTAGGART: Yes, as a matter of fact, the whole thing would have to be collectable in the tax rate. So far as these extra services are concerned, it would have to be a grant-in-aid from the province, which would assume that they were clearly responsible for that excess. I do not think the mechanics of it, are insuperable, if that were the only objection.

COMMISSIONER DAFOE: Probably the taxes paid by many people do not begin to represent the services they receive.

MR. McTAGGART: That has been very apparent within recent years, I think.

COMMISSIONER ANGUS: In the remedies suggested at page ten, there is no question of any increase or widening of the taxing powers of the city. Do you think the burden of real estate can be relieved or lightened without some such measure?

MR. McTAGGART: I do not see how we could carry on, to say nothing of increasing the burden--I do not think it

is possible for the municipality of Vancouver to carry on in its present state.

COMMISSIONER ANGUS: Even if the remedies suggested in B were applied?

MR. McTAGGART: Even if the remedies suggested in B were applied. We must have something more than real estate from which to draw the necessary funds to carry on.

COMMISSIONER ANGUS: I take it, that these suggestions, 1,2,3,4, and 5, would involve an increase in taxation all over the province or Dominion?

MR. McTAGGART: Yes, undoubtedly, I think that is the alternative or the cutting of some of the services. I do not know what services we could say, in the city of Vancouver, we could cut. I think it must involve that, sir.

COMMISSIONER ANGUS: What I wanted to put forward is that the citizens of Vancouver, in their capacity of citizens of the province or Dominion, would probably be paying quite as much in taxation as at present, would be paying more, in fact.

MR. McTAGGART: The dollar which they paid would be better distributed, as we see it.

COMMISSIONER ANGUS: Better distributed?

MR. McTAGGART: We see that the municipal structure, is breaking down, and it is essential. Even if something else is to be broken up, we feel that the municipal institution as a form of government should be continued.

COMMISSIONER ANGUS: Do you think municipal institutions are best helped by widening their taxing powers or getting this help from one of the senior governments.

MR. McTAGGART: I think the other alternative would just serve as a means to an end. Whatever means might be available, the end might be the same. Broaden our taxing

powers, if you will, or give us something else beside real estate, from which to draw our revenue, that would solve our problem. On the other hand, if you relieve us of some of these services the same result would be obtained.

COMMISSIONER ANGUS: If those measures, one to five, were applied across Canada, do you think the citizens of Vancouver would have any more or less?

MR. MCTAGGART: In their pockets?

COMMISSIONER ANGUS: Yes, in their pockets?

MR. MCTAGGART: I do not think there would be much difference in that respect, at the moment. I have not given any serious study to that, but my feeling is that the dollar would be better distributed.

HON. MR. PATTULLO: Might I make an observation, here. I remember during one of the conferences to which the Rt. Hon. Mackenzie King expressed the opinion, confirming my own, that when the final jurisdictions were determined as to the taxing powers which were properly allocated, so far as it is humanly possible to do it, that the provinces should then be left in a position where they could get along within the measure of their jurisdiction without going to Ottawa. As soon as we determine that position, so far as the Dominion and provinces are concerned, then we will take care of the municipal situation. The municipal situation is not as bad, in one sense, as it would seem, although I know that it is bad. In our province we have gone a long way towards taking over some of these services which were put upon the municipalities. In addition, we have been paying 80 per cent of the relief so that actually the municipalities to-day, are in a better position than they were before some of those services to which reference has been made were placed upon them--I am not speaking politically

only historically-- by the administration which preceded this one. As soon as we get a rearrangement with the Dominion so that we will be able to have the monies which are absolutely essential to the carrying out of our responsibilities imposed upon us by the B.N.A. Act, then we will also be able to take care of the municipalities. It is, as I mentioned this morning, the great ogre of the whole thing is the income tax. As I said this morning, the Dominion walked right into our pantry and not only is it making use of the wonderful larder which we had there, but it is driving us out. However, that is a question which the Commission must answer.

THE CHAIRMAN: Have you any questions to ask, Mr. Stewart?

MR. STEWART: No, my Lord, I have not.

THE CHAIRMAN: Have you any questions which you would like to ask, Mr. Farris?

HON. MR. FARRIS: No, thank you, I have not, sir.

THE CHAIRMAN: We thank you for the very interesting brief which you have presented with such force and clarity.

What is the number of the brief?

MR. STEWART: It has been marked as exhibit number 182.

SENATOR FARRIS: Mr. Grant, a barrister from Vancouver is here, representing the School Trustees of the province. He would like to be heard briefly.

THE CHAIRMAN: Yes, we will hear Mr. Grant.

MR. G. A. GRANT (Secretary, British Columbia School Trustees Association) was called:

MR. G. A. GRANT: Your Lordship and gentlemen; the British Columbia School Trustees' Association appreciates the courtesy extended to it in allowing the association to make representations in addition to their printed brief.

The brief is a very short one and will, perhaps, be a reiteration on some points of which you have heard this morning from the two gentlemen who have preceded me . I might say, in reading them, one should keep in mind this; whereas at the present moment we have approximately 116,000 pupils in British Columbia, we are looking forward to the not far distant day when, perhaps, there will be double that number. If the cause of education is still to be supported through taxation on the land as, to a great extent, it is at present, one can see the way we are headed.

THE CHAIRMAN: If you have an additional number, would that not involve a greater utilization of the land. You could hardly have that additional number unless you had a large increase in settlement.

MR. GRANT: It would mean that, but it does not increase the extent of the land, and it is all taxed now.

THE CHAIRMAN: No, just that land under cultivation, is it not?

MR. GRANT: It might be taxed at a higher rate, certainly, and there would be improvements upon it. Might I say something apropos of something which ^{was} mentioned this morning, that there are only four municipalities which do not tax improvements and New Westminster happened to be one of them.

Might I suggest that the shortest way to deal with this Brief would be to read it over.

THE CHAIRMAN: Yes, you may do that.

MR. GRANT: I will omit the first two or three paragraphs and quote as follows:

"There exists grave inequality of educational opportunity arising from inequitable and unfair

"distribution of the cost."

Might I say, that the proportion of the cost of education at present paid by the province and by the localities of the school district are taken from the latest public schools' annual report which shows that 30 per cent of the total cost is paid by the province and 70 per cent by the localities.

The reason, of course, for making this bald statement that there exists inequality of educational opportunity, is that some districts can afford to put up good buildings for their pupils and provide the equipment which is necessary for the most modern curriculum, such as provision for manual training, domestic science, and so forth.

Whereas, in other districts, it is found impossible to do these things.

I will call attention, Mr. Chairman, a little later to the existing figures regarding the mill rates which were mentioned this morning. I have the figures here showing all the mill rates for the province, for the cities and the municipalities. A little later, we will come to the mill rates in the unorganized districts of the province for educational purposes. I will now continue to quote from the brief:

"This association thinks the trouble reaches back to Dominion-Provincial relations in that the only solution would appear to be a rearrangement providing for increased taxation facilities for the province."

There has been a report made recently, in 1935, I heard it mentioned to-day, but of which I am not sure whether your Lordship and the gentlemen of the Commission have copies.

It is known to us as the King Report and it is filled with very interesting statistics and very interesting suggestions. I should say that the Hon. Minister of Education has stated that if your Lordship should find any use for it he would furnish copies to the Commission. On pages 80 and 81 of that report, with reference to the statement of the B.C. School Trustees, there are one or two interesting paragraphs. This is with regard to the relations of the province and Dominion in respect of taxation. In this report, it was suggested to the B.C. Government, that upon examination, or more correctly, reexamination of the tax structures of British Columbia reveals that practically all avenues of taxation open to the province and the municipalities have already been explored. The taxation system of British Columbia has the common defect, that, while it is productive in normal times, in periods of depression the springs dry up, while the obligations upon the province and the municipalities increase.

Of course, we must recognize that that applies to each community as well as the Dominion. I continue to quote from the King Report at page 81:

"It has been obvious, especially within the last year or two, that no adjustment of the taxation system of British Columbia can be made without a change in the financial relations of the Dominion and the provinces, and a reshifting of sources of revenue and of responsibilities between the two. No piecemeal solution"--

I am referring to the condition of the community--

"can be successful apart from a general recasting of the entire system as it affects Dominion provinces and municipalities."

It is that which is our excuse for coming here.

THE CHAIRMAN: You say that report is referred to as the King Report, Mr. Grant?

MR. GRANT: This report was prepared by H.B. King, technical advisor to the Commission on School Finance. In British Columbia there was a commission on school finance in 1935 and the government appointed Mr. H.B. King as technical advisor. I am not sure whether it was the government or the Department of Education which appointed Mr. King. It was he, who prepared this report. He says:

"A solution which might make provision for education alone merely shifts the problem, and while it would be of advantage for the immediate future to have what might appear a secure provision for the financing of education, before long, new problems arising from the lack of a proper adjustment between the provinces and the Dominion would affect the financing of education along with the financing of all other provincial activities."

Passing on to the next paragraph of our Brief, I read:

"The history of educational organization in British Columbia, with statistics bearing upon the various matters incidental thereto, has been set forth in the report of Major King to the British Columbia commission on school finance, 1935, to which you are respectfully referred. It is proposed to deal with the principal fiscal recommendations of that report after making more general observations and suggestions.

"While the responsibility for providing public education under the B.N.A. Act is a provincial one,

"grants have been made to provinces by the Dominion government towards education costs. The principal of these amounting in all to about twenty million dollars were provided under the Agricultural Instruction Act, 1913, and the Technical Education Act, 1919. The principle of Dominion government grants towards the expense of technical, agricultural and Vocational education, should be approved." --

We are suggesting that this Commission should approve of such grants.

"--and its extension might well be recommended to include other matters of Dominion-wide importance such as health education."

I should have added to that paragraph, my Lord, a reference to the Vocational Education Act of 1931, because at the present time there is an Act in force known as the Dominion Vocational Education Act of 1931. Under this Act some \$751,000, has been allocated for a period of fifteen years, and it may be distributed among the provinces under agreements with the provinces in proportion to the population of the province in accordance with the population of the Dominion. I might also mention that the Dominion government does have the responsibility of paying for the cost of the education of Indians in British Columbia. Of 122,929 Indians in the Dominion of Canada, British Columbia had 24,599.

Mr. McTaggart, remarked to the Commission in this respect, that if there were cogent reasons for making these grants when they were made in 1913 and 1919, we suggest there are still cogent reasons for those grants to be made. I return to our brief, and continue to read:

"By the Public Schools Act, 1872, the provincial authorities gave to localities or school districts a portion of the privilege and duty of the administration of schools. The province continued for some 16 years to bear the total cost, but in 1888 a portion of the responsibility for finance was placed upon the land-owners of these localities."

As a matter of fact, there were only a few cities, Vancouver, New Westminster, and Nanaimo which had to pay any part of the cost of Education. I continue to read:

" Ultimately resulting in the localities being responsible for the cost of education subject to aid from provincial funds. At the present time, that provincial aid is based upon the relation between the assessable value of property in the district, and the number of teachers employed in the district. Such provincial aid is further based upon the schedules of standard basic salaries fixed for the purpose of calculating the grant. Such grant however, takes no account of annual or other salary increases over the standard basic salary. On pages 20 to 22, of the King Report will be found the formula for computing the amount of the grant."

Might I explain there, that in British Columbia there exists minimum salaries for teachers.

THE CHAIRMAN: Might I ask what that minimum salary is?

MR. GRANT: It is \$780.00 in elementary schools, \$1,100 in junior high schools and \$1,200 in high schools. Those are practically fixed as minimum salaries because those are fixed as the salaries with reference to which the government grant is made. The manner in which the

government grant is calculated is this; you take that salary to start with and deduct from that a certain amount which is found by dividing into the number of teachers in the district either one mill in the case of certain schools or $1\frac{1}{2}$ mills, of the assessable value of the whole district. One takes the assessable value of the district, then you divide that into the number of teachers. Then you take \$780.00 in the case of elementary schools and deduct it; in that way you get the calculation upon which the province pays--it is the balance which the province pays.

The next paragraph shows you how that works out, to some extent. I quote:

"As such assessable value varies enormously in different districts as also the number of school pupils, there arises a great variation in the burden of school taxes and in the ability of school districts to provide for education. Full particulars of these variations are contained in the King Report, but, as an example, it is found (see page 184 of the report) the provincial grant for teachers in elementary schools varied in 1935-36 from \$305, to \$735. and the required local levy per teacher in elementary schools from \$45, to \$501. There results a consequent variation in teachers' salaries, provision of school equipment, and educational opportunity generally, more marked since the introduction recently of a modern curriculum throughout the whole public school system."

I think I referred the Commission to this question of mill rates in the unorganized territory throughout the province. These vary very greatly. At pages 98 and 99, of the King Report, to which I have referred, there are printed

some letters from the assessors in the various districts of the province. As an example, I read from number nine on page 98. This assessor reported;

"On reference to our school register, I find the rates in this district for the past few years have varied from 1.93 to as high as 17 mills, and I believe a rate of approximately 6 mills would be fair and just to all interested or with a knowledge of school conditions throughout the province."

The next letter says:

"The school tax levied was \$15,027.49 and the school rates varied from 1.16 mills to 21.4 mills, the average school rate being 5.37 mills."

This man is reporting from a large area containing quite a number of school districts. He finds the great variation of from 1.16 to 21.4 mills levied for educational purposes.

Taking the next paragraph in our brief, I read:

"In the respective municipalities, the municipal Councils are the authorities responsible for the levying and collecting of taxes for school taxes as well as other municipal purposes. Due to increased school population, the sudden influx of settlers from the prairie provinces into several areas such as the Fraser Valley--"

Might I interpolate there that I have personally come across cases of people coming from the prairies and having their relief paid for a year after they left the prairies. After their payments ceased at the end of a year, they had to go on relief here. This puts the burden of relief on the authorities in this province. It seems to be natural, at all events, when Municipal Councils are pushed a little to see that they pay as little as possible to the school board.

THE CHAIRMAN: You may be interested to know that in Saskatchewan it was represented to us, that owing to economic conditions the teachers in the elementary schools, large numbers of them, at least, were supposed to be paid between \$200. and \$300. but only received \$200. a year salary. Some of them had to take it out in notes which were not paid.

MR. GRANT: We have heard of that, and we are exceedingly glad that we are not in as bad circumstances as in British Columbia, by any means.

Our assessment in Barnaby, which is one of the school districts just out of Vancouver and where I happen to reside, the assessment used to be \$21,000,000. and now it is \$10,000,000. Only about 60 per cent of the taxpayers are able to pay their taxes at all.

THE CHAIRMAN: We had one municipality outside of Winnipeg, in which, I think between 50 and 60 per cent of the entire area had gone back into the hands of the municipality for taxes.

MR. GRANT: There is only 30 per cent at Barnaby, but that is bad enough. I continue to quote:

"Decreased provincial grants and greatly increased burdens for social services, the municipal councils are finding themselves in increasingly more difficult circumstances, with the resultant tendency to drastically curtail educational expenditures. These circumstances have coincided with constantly decreasing assessment values, and result as stated in a serious threat to educational standards.

This association contends, therefore, that the financing of education must be considered and merged in with the broader question of reforming our fiscal system.

"The present sources of funds for education are: A. Taxes levied on land only in some districts on land and improvements in others, and in others on personal property also. B. Grants made by the provincial government based as before mentioned (see particulars for the various classes of schools, King Report pages 20 to 23)."

Now, that is the grants payable for the teachers' salaries. Might I say here, that we recognize that the government of British Columbia has done a very good job, and has endeavoured to equalize the cost to a great extent, so far as it could do it. It has attempted to do this through the mill rate system, but you cannot do it very well because you come across districts where there is a low mill rate, a low assessment, and many pupils as well as the opposite. I continue to quote at C:

"Special provincial government grants for transportation of pupils, manual training, domestic science, equipment, libraries, buildings, etc. D. Fees chargeable to certain non-resident and over-age students, these being, however, of small amount.

E. Provision is made in the Public Schools Act for payment of a school tax by persons not otherwise chargeable R.S.B.C. chapter 253, Sec. 63(3) but this provision has been found impracticable of enforcement in many districts."

Now, in italics, comes our contention, my Lord. I quote:

"This association contends that the initial requirement in British Columbia is for immediate dissociation of the burden of school taxation either

" entirely, or to a very large extent from the ownership of land, and for the assumption by the province and the Dominion of responsibility for more adequate educational finance. If land is to continue to bear any portion of the cost, a uniform equalized land assessment of provincial-wide scope is an urgent necessity."

At page 85 of the King Report, I think that is dealt with a little more fully. One can readily see that unless there is a relationship between the assessment of land in one district and in another, the provincial government attempt is not likely to be successful.

THE CHAIRMAN: Is not that in the hands of the provincial government. Could not the government provide for it if it is important?

MR. GRANT: Yes, I think so, but we are trying to place before you the reasons why the provincial government should be helped out in some way. They are doing their best, as it were, but still that is not going to last very long. It is not going to help the education of the province very long. I quote from our brief:

" The King Report in its opening pages, contains his recommendations for the reorganization of educational finance, and it is proposed to discuss here those of them relevant to this inquiry, showing the reaction of this association to them. Recommendation number I. That the provincial government as soon as possible take over the complete responsibility for education, with the exception of interest and sinking fund charges for which municipalities are now chargeable. This recommendation

reflects the views of this association."

You probably say that is not a matter which your Commission could enforce.

THE CHAIRMAN: I think that is a matter for Mr. Weir.

MR. GRANT: I continue with the reading of recommendation number 2:

"That there be a uniform provincial tax upon real property of from 3 to 4 mills upon the total assessable value of this property wherever situate. (See following recommendation number five)."

I think a question was asked by your Lordship on this point this morning of some of the other gentlemen who were here. I have shown your Lordship the present tax levy in unorganized districts and the present tax rate levied in the cities and municipalities. This is shown completely for your Lordship, as made in the report of the Department of Municipal Affairs at page 13 and 14.

THE CHAIRMAN: Of course, is this not solely a matter for the province? This question of a uniform provincial tax upon real property of from 3 to 4 mills--how do you suggest this Commission is to deal with that problem?

MR. GRANT: I think, your Lordship, under the particularly wide terms of the report, you have power to make very serious suggestions, even to the provinces.

THE CHAIRMAN: We have to consider the whole question of taxation, that is true.

MR. GRANT: And other allied matters; at all events, in order to show your Lordship the necessity, perhaps, for some Dominion action, I would like to just mention the fact that the tax rate levied in the cities of British Columbia varies from 7.06 mills to 39.52 mills for education alone. In the district municipalities, from 5 mills to

to 20.35 mills. This is a great variance, but of course, the total tax levy varies still more.

THE CHAIRMAN: Of course, Mr. Grant, I think you will agree with this, will you not, that desirable as it may be that every child so far as it is possible, have an equal opportunity with every other child, in a country like this, such a thing is not humanly possible. People living in settlements distant from well-settled communities cannot possibly have the same facilities for education as well settled communities have. This is inherent in the conditions of pioneer life, is it not?

MR. GRANT: To some extent, that may be true, so far as dealing with children from outlying districts is concerned. Of course, we are dealing with British Columbia as a concentration of larger administrative areas. However, I might say, that in this province there is excellent provision made for the education of children in the most outlying areas. I will continue with the reading of recommendation number 4:

"That the remaining costs of education be provided from the Consolidated Revenue Fund of the province. (See following Recommendation No. 5)."

THE CHAIRMAN: That, of course, is Mr. Hart's particular problem.

MR. GRANT: It was intended to point out that the trustees think it is better for taxes to be earmarked for one city department, like Education. There are some, of course, of our officials, who do not think so. With me, presenting this brief, is our first vice-president, Mrs. J.P. Leeming and I know it is her contention that there should be a sales tax for educational purposes alone. I think the general opinion of our trustees is that there should not be a special tax for such a purpose, but that

we should get it from the consolidated revenue of the province. I will read recommendation number five:

"That further revenue be secured through an increase in the income tax of from 1 to 2 per cent upon all income now taxable (that is to say, the present exemptions should be continued), or from a general sales tax of 1 per cent, or from a combination of these two imposts."

THE CHAIRMAN: I do not quite see how that fits in to recommendation number 4 which is the contention that it be provided out of the consolidated revenue fund. Oh, you mean, the further revenue be secured by the province in that way, do you?

MR. GRANT: Yes, that is what we mean.

THE CHAIRMAN: I thought you were referring to the municipalities.

MR. GRANT: No, to the province; there have been suggestions that the municipalities should have the power of taxing income. This association is entirely opposed to that. The gentleman who preceded me here to-day were perhaps more careful than this association in making suggestions. I noticed your Lordship did call for suggestions, and that they were carefully not given to any great extent. However, we have come right out here, and give suggestions.

THE CHAIRMAN: With good Scotch frankness, one might say.

MR. GRANT: We come right out here and say we think we should have an increase. Although it is education which is going to benefit, we think we should have a larger income tax. There ought to be a suggestion here that the Dominion should leave the income tax to the province. The suggestion which referred to the sales tax, raises the question of constitutionality.

THE CHAIRMAN: Assume that the province had the power; do you think that is a power the province should have, - to enact the general sales tax.

MR. GRANT: That is what my association thinks, yes. And that we know, from experiments in California or other places, where that tax is now segregated for educational purposes, and pays the whole cost of taxation,

THE CHAIRMAN: Saskatchewan now has a 2% tax for education, - a sales tax for education. They have gone ahead, whether it is constitutional or not, they have imposed a 2% sales tax, called an educational tax.

MR. GRANT: Yes.

THE CHAIRMAN: At least, they have assumed it to be constitutional, and have gone ahead and imposed it.

MR. GRANT: Well, perhaps we might manage to have it done likewise here. Then Mr. King's report, at page 82:

"The American states have not been troubled with the constitutionality of the sales tax, as it is within their powers. The constitutionality of a sales tax in the Canadian provinces is in doubt, but it should be given consideration in the negotiations which inevitably ^{will} take place soon between the provinces and the Dominion."

Now, I heartily support that statement of Major King.

"It's constitutionality may be provided for by the appropriate Dominion legislation.

HON. MR. PATTULLO: Mr. Chairman, I do not wish to interrupt Mr. Grant, but you will recall that the Dominion Government, - that is the House of Commons, actually passed a resolution favoring the sales tax, and I think it was at the instance of our Government that the Senate threw it out.

MR. GRANT: I am depending, to some extent, your Lordship, on the influence of this Commission, even upon

the Senate. Then this paragraph :

"As is known by most people, the obstacle to the establishment of such a tax by British Columbia is that the courts would almost certainly declare it unconstitutional as being an indirect tax.

Agreement between the province and the Dominion would be necessary, ---" and so on.

So that we have, at all events, made a definite suggestion, your Lordship.

I will now read from the brief:

"It is submitted by this Association that the cost of Education should not be borne by the owners of land as such to nearly as great an extent as at present but rather by the people of the Province from the Province's income from all sources. Education being a service to the state and to individuals as human units and a benefit common to all should be paid for not by individuals who happen to own land rather than say shares or bonds, but by all the individuals viewed as a whole according to their real ability to pay measured by their total income as a body politic. There are services to land, which are properly chargeable to it, but Education is not one of these".

However, my Lord, you will observe that we have stated in recommendation No.2, which we approve of, that there should be at least three or four mills on land for education.

THE CHAIRMAN: It is wrong in principle, but you are prepared to take a small dose of it.

MR. GRANT: Well, we think it is right in principle, to some extent. I ask your Lordship to take a reference to page 81 of that report, just for one moment. This is

with regard to sales tax, but this is interesting:

"It has been calculated that a general sales tax of one per cent in British Columbia would yield about seven and a half million dollars a year, ---" which is about the cost of education.

Now, before passing on I would like to give your Lordship one concrete example, just to show you we figure out that the present system is inequitable. Now, a school trustee at Maple Ridge gave me his figures the other day. He has 200 acres of land, and his school tax alone is just about \$350, - about \$700 his total tax, and half of that approximately for educational purposes, \$350.

THE CHAIRMAN: What is the land used for?

MR. GRANT: He does farming, general farming. Now, a man with the same income has a house and lot in the village, and his tax on land, - that is, his house and lot, is \$10. One pays \$350 towards education, and the other man, just because he has a house and lot instead of a farm and house, pays \$10. One pays \$350 and the other \$10.

THE CHAIRMAN: Of course, no ordinary farm, could stand that tax. Fruit growing, or some specialized form of agricultural ---

MR. GRANT: This is a general farm.

THE CHAIRMAN: He has \$700 tax on 200 acres?

MR. GRANT: Yes.

THE CHAIRMAN: That is an impossible tax.

MR. GRANT: Trustee Davidson. Now, take this same man on his income tax, I have just worked out what he would pay. He has an income of \$2000, he pays \$350 tax on his farm, he pays British Columbia \$24 of income tax, if he is single, and he pays the Dominion \$30 of income tax. So that on his farm land tax and income

tax he pays \$404. Now, take the other man, with the same income, and single, he pays \$10 on his land, \$24, - the same amount, - to British Columbia for income tax, and \$30 to the Dominion. He pays in all, land tax and income tax, \$64, as against the other man, the farmer, who pays \$404. Now, suppose that income is \$4000, the farmer pays \$564 of the combined taxes, and the other man pays \$224. And that is where we want to point out, your Lordship, that there is an inequitable situation with regard to taxes for educational purposes in British Columbia, and that is why we say there might well be more of it put on to income tax.

We were at the paragraph near the foot of page 3:

"Schools are primarily a Provincial Institution, and a provincial Government is bound to see that they are provided for all and a certain standard of efficiency attained. The School Law as it exists, except as to the source of funds used to pay the costs, is an admission of this statement.

Suggestions have been made that the Municipal Authorities should be given power to collect an Income Tax for Education, as in some other provinces, but as we have already in British Columbia Provincial machinery for the purpose of collecting Income Tax, this Association is of the opinion it should continue to be collected by provincial authorities and that the Dominion should move towards relinquishing this field of taxation".

That is a proposition more moderate in language than you have been listening to with regard to this suggestion about Dominion Income Tax, but we do think that there should come a day when that will be possible. We quite realize that the "Income War Tax Act" was for an

emergency, but when that emergency is disposed of --

THE CHAIRMAN: The misfortune, of course, is it has not yet been disposed of in the sense that the public debt now is immensely greater than it was. Then I imagine the annual charge on the Dominion treasury for pensions, soldiers' civil re-establishment, and other direct charges growing out of the War, and interest on the public debt, would exceed one hundred million dollars at the present time.

MR. GRANT: I believe that, my Lord, but of course the emergency part of it surely was the War, and that ought in time to work out "when man to man the world over shall brothers be", and we will get rid of this war debt.

COMMISSIONER DAFOE: We are heading that way now, are we not?

MR. GRANT: We hope so, yes.

THE CHAIRMAN: Mr. Grant, the War created the emergency, but the emergency was the demand on the national exchequer for funds to carry on the War. Now, unfortunately, that demand has not ceased, and the public debt is continuing to accumulate and, as I say, there must be one hundred million dollars a year annually directly chargeable to the War at the present time.

MR. GRANT: Well, I do hope the members of this Commission will show as little temerity as this association did in making suggestions, because we believe if there was another War tomorrow and Canada took part in it there would be no difficulty about increasing the income tax, or having the necessary money found. And we think education is a much more necessary and much more beneficial thing to the citizens of Canada. However, I will pass on.

THE CHAIRMAN: We are glad to have suggestions; we are asking for them, Mr. Grant.

MR. GRANT: Then at the top of the last page:

"This Association while favourable to any feasible system of taxation, such as a general sales tax may be found to be, which will provide the necessary funds for education, has expressed its views as being against the earmarking of sources of revenue, its opinion being that the total or nearly the total ordinary expenditure of School Boards should be provided from the Consolidated Revenue Fund of the Province. The cost of School Buildings and other costs known as extraordinary expenditure of School Boards could still be borne chiefly by the Municipality or School district concerned, with assistance from Provincial funds."

There are differences of opinion. Some like to put up a stone or brick, or permanent building, and very grand buildings, and others, of a more temporary nature. And we think they should look after these matters themselves, or at least to a large extent. They get grants now from the Provincial Government.

Recommendation No. 11:

"That provision be made for the equalization of assessment upon a scientific basis". This Association believes equalization of assessment to be essential in any reorganization of land taxation in British Columbia".

That needs no elaboration. Then, No. 12:

"It is recognized that relief to the Municipalities is imperative and should be given at the earliest possible date. The restoration of grants to the municipalities has been frequently asked".

Recommendation No. 13:

"It is recommended that future capital expenditure be made upon the 'pay-as-you-go' principle, and that

the proceeds of approximately 1/2 mill upon the total taxable real property in the Province be set aside as a building fund for public school purposes, (not including such special buildings as Normal School and University Buildings)".

There is, I may say, some provision in the Public Schools Act at the present time for a fund of this description, but it requires the approval of the Municipal Council, which makes it almost impossible to put it into execution at this time.

Now, I think that is all I have to add, your Lordship to the printed submission.

THE CHAIRMAN: The last recommendation, I think that is one of the wisest we have had; 'The pay-as-you go' principle should be applied.

MR. GRANT: I have been asked by the Canadian School Trustees Association, - I am not sure whether they have made any representation to your Lordship's Commission or not.

THE CHAIRMAN: We have had representations from the School Trustees in Manitoba and Saskatchewan.

MR. GRANT: There were just two points that the Canadian School Trustees Association wish us to stress; one was, equality of opportunity for Canadian boys and girls as between provinces and districts; and the other, greater state aid for education, federal and provincial.

COMMISSIONER DAFOE: Mr. Grant, has your Association given any consideration to the question of who would control and appoint the School Teachers in the event of the burden of taxation, - the burden of educational cost, being carried by the consolidated fund?

MR. GRANT: Yes, we have, and it is our opinion that there should be some democratic control still kept in the

districts. Now, at the present time there are large areas in British Columbia, - administrative areas, as they call them, - several administrative areas, and in these areas there is no school board. There is a director of education appointed by the Department, but still in these areas the provincial government and the Department of Education at all events, has recognized the fact that there should be some democratic control, or at least, if not control, advice. These directors of education have a committee, something like the old school board, a committee called an advisory committee, so that the Department does recognize, I think, to some extent, that even in the event of the total cost coming from these consolidated funds there should still be democratic representation of the people at all events.

COMMISSIONER DAFOE: Of course, the Government is democratic.

MR. GRANT: It is, sir, but a local board, to at least advise with the director of education.

COMMISSIONER DAFOE: Some years ago I made some inquiries into the educational system of New South Wales, and as far as I know the system has not been changed. The teachers there are members of the Civil Service, and the local areas have nothing to say about the teacher they get, and it was stated to me that one of the admirable features of that system was that they send good teachers to areas where ordinarily they could not get them at all; some of the best teachers for some country districts. Would you think that an improvement upon the Canadian system of local school boards, that raise part of the cost and appoint the teachers, and control them?

MR. GRANT: I would think if the circumstances existed in British Columbia as existed in the place you have

mentioned that it would; but if it does not, there would not be that necessity in British Columbia in order to gain a good teacher. It would not need to be in the hands of the Department of Education only, I am quite satisfied as to that. But if it were so, I am also satisfied that the trustees of British Columbia, - the present school trustees of British Columbia are perfectly willing and ready to sacrifice their little position which, as you know, is an honorary position, for the benefit of pupils of the province.

THE CHAIRMAN: This brief will be 183.

EXHIBIT 183 - Brief of British Columbia School Trustees' Association.

THE CHAIRMAN: Well then, you have quoted so extensively from the King Report that it had better be put in as an exhibit.

MR. GRANT: The Honourable Minister of Education will supply the required number of copies.

EXHIBIT 184 - School Finance in British Columbia, by H.B. King.

HON. MR. WEIR: Just to amplify a statement made by Mr. Grant, may I say in answer to a question Mr. Dafoe asked, these larger administrative areas are not formed unless the taxpayers are willing to vote themselves into the area, and they will not vote themselves out if you give them the opportunity.

THE CHAIRMAN: If it is desired we should look at the Harper Report it had better be put in. Was there anything further, Mr. Grant?

MR. GRANT: Nothing further, sir. This association thanks you for your attentive hearing.

THE CHAIRMAN: We will hear the Deputy Ministers, and the first is Mr. Peterson.

MR. C.B. PETERSON, Commissioner of Income Tax, Finance Department, was called.

MR.STEWART: I would like to have the brief prepared by Mr.Peterson marked as exhibit 185.

EXHIBIT 185 - Brief prepared by Mr. C.B. Peterson,
Commissioner of Income Tax, re
taxation of individuals and corporations

THE CHAIRMAN: This is a brief you have prepared, describing the work of your Department, Mr.Peterson?

Would you tell us briefly the contents of the brief.

The brief is descriptive of the work of your Department?
Mr.Peterson:

A.-It is prepared, based on questions submitted to us, covering a brief description of the provincial administration and a brief description of the Dominion administration, and overlapping services and the cooperation that might be had between services.

BY MR.STEWART: Q. Mr.Peterson, would you summarize, without reading your brief, the description of the provincial administration on taxation?

A.I have not covered here just how our organization operates, and I might explain that. We have two principle offices, Victoria and Vancouver. Vancouver looks after Vancouver and New Westminster, and Victoria takes care of all the rest of the province. We have a staff of auditors at each office. The records of the two offices are not duplicated; I have supervision over them both, and I go back and forth between the two. So that Vancouver is an entirely self-contained office. We cover primarily income and output taxes, and all other taxes on corporations.

Q. Principal among those is the income tax act of 1936?

A. Yes; well, the Income Tax Act is of 1932. Before that, of course, we have had an income tax here, since 1876, in one form or another. The particular act at the moment was passed in 1932.

Q. And it is in the 1936 Revised Statutes? A. Yes.

Q. The original act of 1876, that was not an income tax

act in the modern sense of the word; a graduated scale of taxation?

A. No, it was a small tax because, of course, the requirements at that time were very small. There were only a few people in British Columbia at that time.

Q. It was included in the same category as personal property and real property, and paid the same rate of taxation as those, did it not? A. No, I do not think so. Up until 1926 personal property and income were always alternate taxes. That is, the greater was paid. In 1926, of course, the personal property tax was taken off and we substituted the gross income tax, or really a turn-over tax. That was in operation until 1931, when we put on a special revenue tax, which was one per cent, in addition to all other taxes. That was in effect for two years, and then we replaced that with our present Income Tax Act.

Q. When was the first Income Tax Act that provided a graduated scale of taxation, and a scheme of exemption?

A. I have the details here, and the changes that were made; I have it back to 1903. At that time there was a graduation, first up to \$5000 was at one and a half per cent, and above that to \$10,000 it was two and a half per cent; and over that it was three per cent. Then, in 1911 there were made classes. It was not graduated, in the present sense. The rate I will quote is applicable to each class; that is, class "A" was up to \$2000, and the rate was 1%. Class "B" was between two and three thousand, and that was $1\frac{1}{4}\%$, meaning that if you had an income of \$3000 the whole was taxed at $1\frac{1}{4}\%$. And class "C" went up to \$4000 at $1\frac{1}{2}\%$. Class "D" went to \$7000, at 2%, and over \$7000, at $2\frac{1}{2}\%$. Would you like me to trace them through?

Q. Yes, I would? A. In 1917, in the early part of 1917, there was a surtax put on those rates increasing Class "C" by a half of one per cent, and increasing Class "D" by two per cent, and increasing Class "E" by $2\frac{1}{2}\%$. In addition to that, if anyone had an income over \$50,000, - I do not know how many had at that time, - there was another $7\frac{1}{2}\%$ put on. At the same time, there were new classifications set up, which carried the income up to \$20,000, and the maximum rate was 10%.

THE CHAIRMAN: Is that 10% on individuals?

MR.PETERSON: If you were in class "G", which was the income over \$20,000, you paid 10% on the whole income. As I explained before, the rates applied to the class, to the whole income of each class. In 1921, when we established our present graduated rates, graduated as they are now, at that time they ran from 1% on the first \$2500 up to 15% over \$25,000, at which point the rate of 10% flat on \$25,000 is the same, so that anything over that it was 10% flat on the whole amount.

BY MR.STEWART: Q. And since then there have been changes in the rates, but the structure is the same? A.Yes.

THE CHAIRMAN: I did not quite hear the last, Mr. Peterson. You say up to 15% on \$25,000, and then 10% flat?

MR.PETERSON: Yes, it was 15% on the last thousand, on the graduated scale.

THE CHAIRMAN: Up to \$25,000, and then after that, 10% flat?

MR.PETERSON: 10% on the whole.

THE CHAIRMAN: Just on the surplus?

MR.PETERSON: No, on the whole, because at that point the graduated rates and 10% on the whole income comes to the same thing.

BY MR.STEWART: Q. The present Income Tax Act is administered by the Commissioner of Income Tax, and that is your position?

A. Yes.

Q. The taxation on banks, telegraph, and express companies, and the output taxes on coal and minerals, are also administered by you? A. Yes.

Q. And the insurance companies tax? A. $2\frac{1}{4}\%$ on their gross income.

Q. In cases other than insurance companies the taxes on gross income, or on output, are alternate to the net income tax? A. That is correct.

Q. In the case of insurance companies, however, there is no alternate tax? A. No alternate tax.

Q. The rates of taxation are set out in your brief? A. Those are set out briefly in order to show just what the tax on the whole income is at those points. It is easier understood that way.

Q. And your collections, or the revenue during the year ending March 31st, 1937, are also shown? A. Yes, \$7,407,627.97

Q. And of that, 76% was from corporations and the 24% from individuals? A. Yes.

THE CHAIRMAN: About \$5,000,000 from corporations, and \$2,000,000 from individuals?

MR. PETERSON: That is right, sir.

THE CHAIRMAN: You have returns here from individuals, 146,799. Does that mean that \$146,799 pay income tax?

MR. PETERSON: I have that here for you, sir. I worked it out. We have this one per cent deduction at source. That is not, I wish to explain, like the Manitoba tax; it is not a tax in addition to other taxes, it is merely a deduction at source, and applies on payment of the tax at the end of the year. The system that is followed is, the employer deducts every month, and he sends in his remittance to the Department. That is merely held in trust pending the receipt at the end of the year of returns

from those individuals who make up that tax. Now, to get to your point, I think what you are desirous of knowing is, that those that are shown on there - up to \$1200, I am quoting from the classifications of 1937, that would be the 1936 income, assessed in 1937, - those below \$1200, filed returns numbering 83,703. Those are all persons, of course, who had deductions made from them, and they have part or all of that money coming back to them. There is no application for a refund required; all that is necessary for a person to do is to file a return and then if he has had more deducted from him than his return shows that he should pay, we automatically refund the difference.

THE CHAIRMAN: Just on that point, if his salary was a thousand dollars and one per cent had been deducted, - up to \$1200, would he under any condition be entitled to the return of the whole? He might, because of exemptions and so on?

MR. PETERSON: If he were a married man and he got \$1200, and he had \$12 deducted from him, which he would have, he would get his whole \$12 back. Well, his exemption is a thousand, but probably he has a dependent which would take him up \$200. But, of course, if he is a single man with no dependents, he would have had \$12 deducted from him; his exemption is only \$600, so that he would have \$6 payable, we tax him six and refund him six.

THE CHAIRMAN: And those are the refund items which amount to \$969,425.31 here?

MR. PETERSON: Yes. As I understand, Mr. Chairman, what you are trying to get at is, actually how many persons below \$1200 and from \$1200 to \$2500 really paid some taxes?

THE CHAIRMAN: That is right.

MR. PETERSON: Well, we made in a hurry, but I think it is very accurate, an estimate of that. We are in the midst of making our refunds right now for the present year, so I asked our Vancouver office to take at random a thousand returns, and we took a thousand returns at this office, and it showed that just about fifty per cent below \$1200 got a refund in full. And of those between \$1200 and \$2500, just a little under 25% of them got a refund in full. Now, on that basis, below \$1200, there would be 41,850. pay a tax averaging \$2.25 and in the case from twelve to twenty-five there would be 39,450 pay an average tax of \$6.50. That is between \$200,000 and \$300,000 altogether. Altogether those two items are \$348,993.60.

THE CHAIRMAN: Thank you.

COMMISSIONER ANGUS: Is it possible there are people who pay a tax and did not put in a return at all?

MR. PETERSON: Yes. Well, there are some instances where deductions are made, and that person never files a return. If he has any money coming back to him he never gets it, but I have no means of knowing that money is refundable to him unless he does file a return.

COMMISSIONER ANGUS: It is quite possible it is not refundable?

MR. PETERSON: It is quite possible.

COMMISSIONER ANGUS: And in that sense the number of taxpayers would be slightly larger than the numbers that have just been given?

MR. PETERSON: Yes, I would say that the amount of money we get from those lower classes, if you take in what I might call "found" money from those people who do not file returns that might have a refund due to them, is probably another three hundred thousand, so that would

be six hundred and forty-eight thousand that we get from those classes.

THE CHAIRMAN: You have 146,000 individuals listed here. Could you form any estimate of the total number who actually pay a tax?

MR.PETERSON: Well, the main number who do not pay any tax are in those I have already taken off. You see, for instance, a large number of people in this province are paying taxes, are employees, and there would be no refund to those, -hardly any chance of a refund being payable to those above \$2500 with our present exemptions, so that the balance of them are very nearly all taxable.

THE CHAIRMAN: What would that make the balance? Have you the figures there?

MR.PETERSON: About ninety-two thousand.

THE CHAIRMAN: About ninety-two thousand pay income tax. I made an inquiry to see how many Dominion Income Tax payers there were in the Province, and the information I got, in 1936 - 1937 the number was 23,157.

MR.PETERSON: Well, they would not get hardly any of those below the \$2500.

THE CHAIRMAN: No, they would not. It shows that the Dominion collects from 23,000, and you collect from about ninety some thousand.

MR.PETERSON: Yes, I could give you, if it would be interesting to you, the percentages of the total taxes paid by individuals, paid in each class.

THE CHAIRMAN: Yes.

MR.PETERSON: Those below \$2500 pay 21.3% of the total. That is, of course, a very much different picture than the Dominion would have. If you take that up to \$5000, the percentage at that point is 36%; and taking that to \$15,000, it is 63.6%, so that those people below

\$15,000 pay 63.6% of the total individual tax. Now, a jump to the high incomes, over \$75,000, they pay 8.3%, and if you take that back to over \$50,000, they pay 13.8%.

THE CHAIRMAN: How many have you in the Province who pay on \$50,000 or over? Have you the figures?

MR. PETERSON: Twenty-eight.

(Page 5368 follows)

As another comparison, I would point out that the incomes below \$15,000 pay six times as much tax as those over \$50,000. I might say I have these same figures for 1935. That happens to be 1937. I have them for 1935 and '36, though the percentages are remarkably the same in each year.

THE CHAIRMAN: Thank you very much. That gives one a picture of the situation as it really exists.

HON. MR. FARRIS: Would it be interesting to have the Dominion on the same basis?

THE CHAIRMAN: Yes, we can no doubt get it, Mr. Farris.
BY MR. STEWART:

Q. Mr. Peterson, what is your cost of collection? A. Well, if I might be permitted to say so, I think that the cost of collection as you have it stated to you by the Dominion, on a percentage of the collections, is not a proper basis to compare income taxes, the cost of collection of income taxes.

Q. Because in the lower scales you get many more returns but much less income? That is the reason for it, is it?

A. Yes. I am not nervous about a comparison of our cost, we are still, on a percentage basis, a little bit lower than the Dominion, but if I might possibly read you what I have in mind:

"In the case of Income Taxes, any comparison of costs based on a percentage of collections is entirely misleading, for the reason that the revenue will go up or down mainly be reason of changes in the rates of taxation, or in business conditions, without any change whatever in administrative costs. For instance, through a series of increases in its rate on Corporate incomes from 8% in 1929 to 15% in 1935, the Dominion's revenue from this source automatically went up by

"practically 100% without any additional cost being necessarily incurred; yet, on a percentage of collections, their cost of administration shows a marked decrease, which does not reflect the true situation. Similarly in the case of the change in business conditions between 1932 and 1937. Exactly the same number of returns, requiring exactly the same amount of work on their assessment, would yield a vastly greater revenue in 1937 than in 1932; but again the cost of administration, based on a percentage of collections, would appear very much lower in 1937 than in 1932, whereas it would really be just the same.

Therefore the only proper method of comparing costs where taxes are concerned is, in my opinion, on the basis of the units of work performed in obtaining the revenue. The number of income tax returns handled would seem to serve this purpose, because all returns filed have to go through the same routine of assessment whether they yield any tax or not. Information returns need not be considered as they are merely subsidiary to the main purpose of obtaining and taxing the returns of income. At the same time it might be mentioned that, owing to our employer's monthly returns of wage deductions, our information returns would be, proportionately, much more numerous than the Dominion receives.

In the case of the Dominion, the total number of returns of income in 1936 is stated in evidence by Mr. Elliott at page 3530 to be as follows:-

Individuals

Assessable	169,301	
Non-Assessable	<u>162,681</u>	331,982

Farmers

Assessable 581

Non-Assessable 4,580 5,161Companies

Assessable 5,000

Non-Assessable 9,354 14,354Total 351,497

On this basis the unit cost for the Dominion is, cost of administration \$2,118,210 (that is taken from the public accounts) divided by the number of returns 351,497, makes the cost of handling every return they receive \$6.03. On the same basis the unit cost for the province is: cost \$169,719.80, returns received 150,826, making a cost per return received \$1.10.

I might mention that I noticed Mr. Elliott didn't include non-assessable estates and non-assessable estates are not in our figures, they are treated as information returns so that on the figures our cost compares very favourably with theirs.

Q. Now, Mr. Peterson, the Ontario income tax is collected by the Dominion Income Tax Division and for the coming year the same would be true of Manitoba and Prince Edward Island. From purely an administrative point of view do you think that such an arrangement is feasible in British Columbia?

A. Unfortunately not. Ontario, as you know, adopted the Dominion Act at half-rates and Manitoba's Act always has been, when it was enacted it was copied off the Dominion act. In our case we have, over the period of years, evolved a tax system of our own to suit our purposes and it would upset our whole financial set-up if we were to change that. I will mention points now where we differ.

Q. I might say, Mr. Peterson, just for a moment there, that Mr. Elliott in giving evidence before the Commission at Ottawa

pointed out that one essential to a joint operation would be the definition of income, that there could be no joint collection unless the definition of income under the two acts was the same. Is your definition the same as that in the Dominion Act? A. We do not assess the same taxable income as they do.

Q. Now, I would be interested in the other points?

A. I will just quote here: I have mentioned there are differences in exemptions. That would not be a very great hardship. The Dominion do not allow insurance premiums and we allow up to \$300. The Dominion allows a deduction for superannuation or pension fund payments up to \$300 and we allow the full amount paid. Charitable donations are allowed by the Dominion up to ten per cent. and by us up to five per cent. Annuities are exempt in the case of the Dominion up to \$1,200, we exempt 50 per cent. I have dividends from provincial companies; now here is where the taxable income comes in. Of course, it changes in annuities too. The Dominion taxes all dividends in full. The province exempts from normal tax all provincial companies. That is a very material item.

COMMISSIONER MacKAY: What was that again, Mr. Peterson?

MR. PETERSON: The Dominion taxes fully all dividends. The province exempts from normal tax all provincial dividends because the company has been taxed and we do not believe in the double taxation.

MR. STEWART: Q. But the surtax is applied to provincial dividends? A. Yes, because companies are not liable to the surtax. I hope Dr. Angus will remind me to turn in a statement on that subject. I noticed you were trying to get some information from Mr. Elliott down there and you were not very successful but I have prepared a statement.

Dividends of mining companies is another point where our taxable income differs. The Dominion allows a twenty percent depletion allowance on dividends from mining companies. We make no such allowance because in the first place we have exempted the whole of the dividend, if it is a provincial mine, and if it is not a provincial mine our attitude is that it is up to the province in which that mine operates to make the company a depletion allowance. Then we exempt the interest on the bonds of certain provincial corporations. I will explain that to you: a company cannot have a deduction from their taxable income for bond interest paid outside the province unless they make a separate return and pay the tax at 5 per cent., that is half-rates, instead of 10 per cent., 5 per cent. When they issue bearer bonds they cannot tell whether the interest is paid outside the province or inside the province on a bearer bond, so we permit them in that case, where they cannot give us a list of the names, they can pay the tax at 5 per cent., then the holders of those bonds are exempt. We exempt quite a lot of those, and I could if you were interested, give you an indication of some of them.

THE CHAIRMAN: I am not sure that I follow you. I want to be clear on it. Where bonds are issued by a provincial company you exempt the --

MR. PETERSON: The company, if it has a bond issue, cannot claim an exemption or cannot claim a deduction for the interest paid unless it files a separate return and pays the tax on that interest. That is, if it cannot give us a list of the names of the persons who hold the bonds.

THE CHAIRMAN: If it cannot give you a list of the persons who hold its bonds, the company must pay tax?

MR. PETERSON: That is right. In order to get the deduction, they save 5 per cent. by doing so. They are taxed

10 per cent. and they only have to pay the tax on the bonds at 5 percent.

THE CHAIRMAN: They pay 10 per cent. on income, is it?

MR. PETERSON: Yes.

THE CHAIRMAN: And if they file a return showing they have to pay bond interest, they get a 5 per cent. reduction on the amount they have to pay by way of bond interest?

MR. PETERSON: No, if they pay bond interest, they deduct that bond interest as an expense and that reduces their taxable income and of course that saves them 10 per cent on that amount of money. But they can only do that providing they file a separate return and pay the tax at the 5 per cent.

THE CHAIRMAN: Just give me a practical illustration as to how it works out. You have a company which has a bond issue of a million dollars and its interest is \$50,000, five per cent., and that normally is part of the operating expense of the business and it would have to be paid before the company makes any profits and before your ordinary company income tax would apply?

MR. PETERSON: Of course, our Act says they cannot deduct that if the interest is paid outside the province, they can only deduct it if they give us the list of the names of the persons to whom they pay the interest. It is just the same applies in wages. They cannot have a deduction for wages unless they give us the names of the persons to whom they pay those wages.

THE CHAIRMAN: Then assume the bonds are registered so they give you a list of the bondholders. It depends upon whether the bonds are registered or not. They furnish you with a list of the bondholders, then what happens?

MR. PETERSON: Then they are scot free, we tax the recipients of the interest then.

THE CHAIRMAN: If they do not furnish you with a list of the bondholders, what happens?

MR. PETERSON: Then they have to render us a return and pay tax on that interest themselves.

THE CHAIRMAN: Five per cent?

MR. PETERSON: Five per cent.

THE CHAIRMAN: And if they do not file a return they cannot claim any reduction at all?

MR. PETERSON: That is it. But they all do because they save five per cent., as you see.

THE CHAIRMAN: Quite.

MR. PETERSON: Then, by reason of the company having filed a return and paid a tax at five per cent., that exempts the recipient of the bond interest. If, for instance, you resided in the province here and held some of the particular bonds, the interest would be exempt.

THE CHAIRMAN: Under your income tax act the holders of bonds in any British Columbia company residing outside the province must pay a tax of five per cent upon the amount--

MR. PETERSON: Not if he resides outside. If he resides outside the province the company must pay the tax in any event. If he resides inside the province, then they can give us a list of names if they can.

THE CHAIRMAN: Then a company that sells its bonds outside the province cannot charge as part of its operating expense the interest it pays on its bonds?

MR. PETERSON: Unless it pays the tax of five per cent. Now, as I told you, that exemption means quite a bit. There are a lot of companies that do that so it is not a small item in our tax affairs at all. The next difference is we have an exemption here which is valuable to some people in the province with income not brought into the province from investments that were held prior to the time that person

became a resident of the province.

THE CHAIRMAN: Is that to make provision for the prairie people who move in?

MR. PETERSON: Not so much the prairie people, I don't think, as some more wealthy people than the prairie people. A lot of people come to visit British Columbia and they would like to stay here, but they do not wish to disturb their investments for the time being where they are and they do not want to be subject to two or three taxes. So that exemption is put in there for that purpose. Then there is the reciprocal allowance.

THE CHAIRMAN: They can leave them out and be exempt from income tax with respect to them?

MR. PETERSON: Yes, if they don't bring the income into the province. Then, there is a reciprocal allowance for taxation paid to foreign jurisdictions. The Dominion allows a credit against the actual tax payable on that, whereas we only allow a deduction from the income as an expense, quite a difference.

Then there is the earned income provisions of the Dominion. In the case of the Dominion this has a bearing on the income liable to surtax. The province has no such provisions but in computing surtax dividends and interest, which are exempt from normal tax, must be liable for surtax. Then again, for the Dominion surtax, it starts at \$5,000 before applying personal exemptions and ours starts at \$5,000 after applying personal exemptions.

Then, the almost insurmountable difficulty is our deduction at the source from wages, and the only way in which we can ever hope to collect money from those people below \$2500 is by that deduction. As I have pointed out in my memorandum we have been at particular lengths here and gone to a great deal of extra expense in order to keep our taxes

from hitting in exactly the same places as the Dominion hits; so we have gone down to the lower incomes and the only way we can collect from those lower incomes is to have the expensive machinery we have of deductions at the source and refunds.

HON. MR. PATTULLO: We are collecting the nuisance tax.

MR. PETERSON: As to corporations, the difference in respect of corporations, or to start with, we are so involved with corporations with alternate taxes that I do not see how we could ever hope to have them take over corporations, and apart from the rate of tax the main differences are in respect of allowances for depreciation and depletion, widely different from the Dominion's. In the case of depreciation the Dominion's schedule of allowances is about twice what our rate is. In the case of depletion the provincial allowance is made on the unit basis. If you get what I mean by the unit basis, if we are depleting the case of a mine, we take the cost of the mine in dollars and divide that into the ore reserve, whatever ore they have, and we arrive at a unit cost, which is just the same as arriving at a unit cost of a pair of shoes in a store here, and then the only allowance is that unit cost multiplied by the number of tons extracted. That is our arrangement, whereas the Dominion allows twenty-five per cent. of the profits of a base metal mine and thirty-three and one third per cent. of the profits of a gold mine. We would not care to adopt the Dominion's method because there is no rhyme or reason to it.

THE CHAIRMAN: Don't you think you and Mr. Elliott could sit down and straighten out the differences?

MR. PETERSON: There is every reason in the world for those differences. The allowance on the Dominion method is

usually not nearly so fair for the base metals as our allowance, because the base metal mines have a very heavy expense as opposed to gold mines, and 25 per cent. of profits does not always let them get out, does not let them get the cost back, whereas a gold mine will get its cost back ten or twelve times over. And why? Nobody should have an allowance, a deduction from tax, for more than they cost.

MR. STEWART: Q. Do you maintain a staff of auditors for the purpose of going over the books of tax-payers?

A. We have provision for twenty. There are eighteen on at the present time. The Dominion has 20.

Q. In the province? A. Yes.

Q. In your opinion, could some duplication be avoided there by having the auditors on joint account? A. Well that is, as I point out in my memorandum, what we have been working for for years. If we could have some co-operation between our audit staffs, that would eliminate all the trouble so far as corporations are concerned. It is no trouble for a corporation to make out two income tax returns, no trouble in the world.

THE CHAIRMAN: There are a great many complaints that have come to us about having to make out two returns.

MR. PETERSON: It would not take a corporation an hour to make them out.

THE CHAIRMAN: We have had evidence, Mr. Peterson, from the Canadian Manufacturers Association, - I am speaking now from recollection, but I think my memory is correct, - that some Dominion Corporations which have offices in practically all the provinces, had to keep a staff of as many as six clerks to make out various governmental returns. That does not mean income tax returns, income was included, but other returns required by various governments, Dominion and

provincial. They said it was a real additional cost, which in the end must be paid by the consumer. It was an unnecessary expense of government because it might be simplified by one set of returns if agreed upon between the Dominion and the provinces, that could be filed and simply send duplicates to the other jurisdiction, if they had only agreed absolutely on a common set of returns.

MR. PETERSON: Of course, we know from our experience dealing with corporations here, their main complaint is the two sets of auditors. A corporation will no sooner get the records put back after the Dominion pulling them out, than we will drop along two or three months afterwards and pull them out all over again. That can be absolutely avoided by this co-operation between our two auditing staffs. For instance we have between us a staff of forty auditors. Those forty auditors could do just twice as much work as they are doing now if they turned their returns in to both jurisdictions. Two are doing the same work, whereas otherwise they are doing different work. The other point of criticism is in the information return system to be supplied, employees and interest paid and all this sort of thing, dividends. They have to supply the Dominion with a set and us with a copy, whereas that could just as easily go to one common place and be distributed to the two of them by a little co-operation. But I have suggested that of course to Ottawa. It has been, as I point out there, suggested away back in 1925, I think it is, but we have got nowhere.

THE CHAIRMAN: The public should not be imposed upon by an unnecessary set of auditors and an unnecessary multiplication of returns if it can be simplified by reasonable co-operation, there is no doubt about that.

MR. PETERSON: No, it seems to me so ridiculous.

The Dominion won't co-operate on that basis because they say that all their records are confidential, well, we both seek just the same things. Why try to fool ourselves like that? Why is it confidential when we can go and get just the same information as they have and they can go and get just the same as we have. Whereas now we both have to go and get it, instead of one of us going and getting it.

THE CHAIRMAN: That seems pretty sound.

MR. PETERSON: We could accomplish a very great deal towards economy and convenience to the public, just by that little simple co-operation which would hurt nobody.

HON. MR. PATTULLO: Then half the staff would go on relief.

MR. PETERSON: It would not mean that, it would increase the efficiency because every auditor brings in a lot of money. I would make money hand over fist if I could put on another twenty auditors because every auditor earns at least ten times his salary. So if we had just forty auditors doing twice as much work as they are now doing, we would be getting a whole lot more money and we would be able to keep our auditors. I think another criticism of corporations is that we are behind in our audits.

THE CHAIRMAN: Quite, that is another thing.

MR. PETERSON: With twenty auditors, you cannot audit the whole province every year. You simply cannot do it. So we have to try to do it here once every three years. We cannot do it at present, whereas if we had forty auditors doing it, we could double it, speed up our work that much more.

MR. STEWART: Q. Were there any points you wished to emphasize covered in the brief? A. I think I come now to

Dr. Angus' efforts to get some information about a real comparison between the taxes. I have made it here and I will put it in as an Exhibit, if I may. We were sort of pointed out in Ottawa as a horrible example of high taxation in this province, so I prepared this statement to show that our taxes compare very favourably with any of the other western provinces and it will illustrate that it is not so much the rate of taxation that matters as the taxable income to which you apply those rates. If you refer to the top of the statement you will see:

"For comparative purposes, and to properly illustrate the effect of surtaxes, 'earned income' provisions, and the British Columbia exemption provided by Section 4 (a) of the Income Tax Act (covering Provincial dividends and Bond Interest in specified cases), all income up to and including \$10,000 is considered to be 'earned' income," that is salary income, "and the excess over \$10,000 is considered to be investment income, of which one half is from dividends of British Columbia Companies, and Bond Interest exempted as above by this Province."

Now, I have a little note here just to illustrate to you in case you think I am taking too much credit here in saying that that amount of income is from provincial dividends. I am trying to paint the picture there as conditions actually exist, as our returns come in to us.

"In attributing to Provincial dividends 50% of the income in excess of \$10,000, the case is not being overstated in the case of our largest personal incomes.

Our classifications show 9 incomes over \$75,000, and the following will illustrate how much this exemption of Provincial dividends means to them:-

"The total of those 9 incomes is \$872,367. The normal tax, this is where these exemptions apply in the act, the normal tax assessed against that \$872,000 was only \$34,000, whereas except for that exemption it would have been \$87,000. So that those 9 taxpayers obtain an exemption on provincial dividends of \$53,075 which shows that a great deal more than 50 per cent in those cases was from provincial dividends.

Now taking this Exhibit, you will see I have British Columbia, Alberta, Saskatchewan, Manitoba, Dominion and United Kingdom. You will see that the exemptions for family vary. Ours happens to show the lowest. If we took into consideration that we allow \$300 for life insurance premiums and none of the others do, that of course would make us a little more favourable even than this does.

THE CHAIRMAN: Take \$10,000 first as the unit. Yours is \$423, Alberta \$450, Saskatchewan \$459, Manitoba \$388, and Dominion \$504, United Kingdom \$1,712. We have not got up to their tax yet. The total of B. C. and Dominion, \$987. The two together is only about half of the income tax the United Kingdom charge on their own people.

MR. PETERSON: That is correct. On the lower incomes of course the United Kingdom tax is very much higher. You see their rate is five per cent. to start with, five shillings in the pound.

THE CHAIRMAN: Then take another bracket, take the \$25,000. You check me and see if I am correct, Mr. Peterson. B. C. \$2,215, Alberta \$3,127, Saskatchewan \$3,037, Manitoba \$2,877, Dominion \$3,777, United Kingdom \$7,147, the Dominion and B. C. together \$5,992.

MR. PETERSON: That is correct.

HON. MR. FARRIS: It jumps pretty fast after that, does it not?

MR. PETERSON: We start to go higher than the United Kingdom at \$75,000, whereas I think you were told in Ottawa that we started to go higher at \$20,000.

THE CHAIRMAN: \$75,000, that is the two combined you mean?

MR. PETERSON: Yes.

THE CHAIRMAN: \$75,000, B. C. is \$12,689, Alberta is \$18,080, Saskatchewan \$16,765, Manitoba \$16,579, Dominion \$21,323, a total of \$34,012 whereas the United Kingdom is \$33,119. Yes, that is correct. It is only when you get above \$75,000 that the combined tax of the Dominion and British Columbia goes above the British tax.

MR. PETERSON: That is right.

COMMISSIONER ANGUS: I think the point to my conclusion in Ottawa was that I thought the figures given there made our tax appear much more oppressive than is the case for most people in the province.

MR. PETERSON: It is no use considering rates alone, you have to consider the taxable incomes that those rates are applied to.

EXHIBIT NO. 186: Comparative Statement of Income Taxes Payable to Each of the Four Western Provinces, to the Dominion, and to the United Kingdom, by a Married Taxpayer with One Dependent.

I have another statement here. I think the Chairman wanted some information in Ottawa about the United States and State taxes as compared with provincial and Dominion taxes.

THE CHAIRMAN: Yes.

MR. PETERSON: I have a statement made out here for California. It is made out on just the same basis as the other one except I will explain that in the case of the Federal

government of the United States they exempt the income from interest on State bonds. That is an exemption in the United States federal, all interest on state bonds is exempt. And also all interest on federal bonds is exempt for normal tax. So this statement is prepared to illustrate that exemption as well as our own. So that I show the same, that all income below \$10,000 is earned income and over \$10,000 is considered to be investment income of which 25 per cent. is from dividends of local companies and 25 per cent. from exempt bond interest. That is where the United States exemption would come in. On that basis, you see, we compare very badly.

COMMISSIONER MacKAY: Is California a fair sample, do you think?

MR. PETERSON: I picked California. I went over several of them. California's rates are low on the low incomes, that is they start off, they jump by \$5,000 brackets, one per cent. on the first \$5,000 up to six per cent. at \$30,000. They jump by \$5,000, two percent. on the second \$5,000, three per cent. on the third \$5,000 and so on.

COMMISSIONER ANGUS: Are there some exemptions there for State and Federal salaries?

MR. PETERSON: The Federal Government exempts all state taxes. I could not give application to everything but I have along with me here somewhere, if you would like to see it, the complicated income tax forms you have to put in in California, and United States, so I do not see why our people should complain here, if they every looked at them.

THE CHAIRMAN: I suppose their satisfaction is they get off with a lower tax. Mr. Peterson, is the California tax about the same as the other State taxes?

MR. PETERSON: Yes, I picked it out as an average. I runs up higher. Very few of them run up to 15 per cent. as the California one does. But looking over them, as I did, the average income tax in the state taxes stops at about six per cent., but of course they are higher, they are graduated up more rapidly.

THE CHAIRMAN: You see, the total tax on a \$50,000 income in the United States is \$7,055 and the total tax in Canada, British Columbia and Dominion, is \$18,675.

MR. PETERSON: I wish to point out that a lot of those wealthy people in the States take cover on State and federal bonds, that is the way they keep their tax down. It is for that reason the federal government can raise such tremendous bond issues in their home market, they are glad to get them and get tax exemption.

THE CHAIRMAN: There is a very striking difference, our tax is more than double their on an income of \$50,000.

MR. PETERSON: That is the case.

THE CHAIRMAN: And on an income of \$100,000 the combined Dominion and British Columbia tax is \$50,923 and the combined United States and California tax is \$22,408.

MR. PETERSON: Of course if a taxpayer in the United States was foolish enough to have all dividends, for instance, he would not fare very well at all because they are all taxable income. In California, for instance, dividends are all taxable. Income from state and federal bonds is all exempt. There is no allowance for federal income tax. And their exemptions are of course lower, they are not stated there. The exemptions are \$1000 for a single person, \$2,500 for a married person and \$400 for a dependent and there is no earned income credit in the State of California, but of course there is in the federal government. The United States tax for instance give an

earned income credit which is ten per cent. up to \$14,000. That is quite an item in their exemptions also.

THE CHAIRMAN: Is not their corporation tax higher than ours? This is the individual?

MR. PETERSON: This is the individual. The corporation tax is lower.

THE CHAIRMAN: Their federal corporation tax?

MR. PETERSON: The U. S. federal corporation tax is lower than our Dominion corporation tax. Those are our rates, the Dominion is fifteen per cent.

THE CHAIRMAN: If you take the Dominion and British Columbia combined, yes, but is not the United States federal tax higher than our Dominion tax alone?

MR. PETERSON: No, I am quoting the Dominion rates. The Dominion rate on corporations is fifteen per cent. and the U. S. federal rate up to \$2,000 is only 8 per cent. From there to \$15,000 it is 11 per cent., from \$15,000 up to \$40,000 it is 13 per cent., and over \$40,000 it is 15 per cent. So only at over \$40,000 does it reach the Dominion rate.

THE CHAIRMAN: I thought it got up to 20 per cent; I am in error there. In connection with your corporation taxes here, a very substantial amount comes out of one or two large corporations, does it not?

MR. PETERSON: We do get a very substantial tax out of some of our mines.

THE CHAIRMAN: I happen to be a very small stockholder in one and I know they pay a very substantial percentage of the total tax you get from corporations.

HON. MR. FARRIS: Also a substantial percentage of what the whole Dominion gets.

THE CHAIRMAN: Quite so.

MR. PETERSON: You take in the year 1937 the income tax

on mining companies and timber companies was \$2,035,000 and the total corporation tax on net income was \$4,495,000 which is 45 per cent. 45 per cent. of it came from mines and timber, and of course the mines were a great deal more than timber.

THE CHAIRMAN: This has been so interesting, we have run past the adjournment time. Is there anything more you wish, Mr. Stewart?

MR. STEWART: No, I have no further questions to ask Mr. Peterson.

THE CHAIRMAN: Are there some further matters you would like to speak on, Mr. Peterson? If so, we will take them in the morning.

MR. PETERSON: I will look it up later. If there are, might I put in a further reference?

THE CHAIRMAN: Yes, we would be very glad to hear you in the morning. It is very important and interesting and we thank you for the information you have given us.

<u>EXHIBIT NO. 187</u>	Comparative Statement of Income Taxes Payable in California (State and Federal) and in British Columbia (Provincial and Dominion) by a Married Taxpayer with one Dependent.
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(The Commission adjourned at 4.40 p.m.
until 10.30 a.m. Tuesday, March 22nd, 1938)

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